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# **Bush policy** to end China isolation criticised

World News

President George Bush faces a wave of domestic criticism after sending two senior US envoys to China in a mission aimed at restoring relations with the Peking Government. The surprise weekend visit led by Brent Scowcroft, Mr Bush's national security adviser, formally ended the administration's six-month ban on high-level contacts with China imposed after soldiers massacred hundreds of pro-de-

SA opposition split Differences between rival antispartheld groups prevented the largest black political con-ference ever held in South Africa from achieving its aim of uniting opposition forces against the Pretoria govern-

European summit **British Prime Minister Mar**garet Thatcher will tomorrow seek to reassure Conservative MPs on the outcome of the European summit that she is not taking an isolationist role in the EC and that she intends to ensure Britain participates fully in the next stages of its development. Page 16; summit report, Page 3

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Sofia hardliners go Bulgaria's new communist party leadership, apparently firmly in control, purged the remaining hardliners from the polithuro and expelled Todor Zhivkov, the former leader, from the party. Page 2.

Hard defends policy British Foreign Secretary Douglas Hurd defended the treatment of Vietnamese boat people in Hong Kong and said Hanot had agreed not to punish those sent home under a repatriation plan.

Sudan soon foodless based on the weakest currency in the system, defines the cross-rates from which no currency (except the lira) may move more than 2'4 per cent. The lower The Sadanese government said that three towns, including Juba, the higgest in the south, are about to run out of food.

Brazilian poli close Brazil's presidential election finish as opinion polls showed tha gap continuing to narrow between the centre-right front runner, Fernando Collor de Mello, and his socialist rival, Luis Inacio Lula da Silva. Page 4

Page 19 Hungary nears deal Emergency talks between Hungary's government and the independent political parties ing privatisation programme is being set up by banks with the International Finance Cor-poration, the World Bank's and trade unions, aimed at tackling serious economic problems and filling the political vacuum, were edging towards a consensus. Page 2

Unification favoured Three out of four West Europeans support German reunifica-tion, according to an opinion poll in the 12 European Community nations.

Carter offers help Former US president Jimmy Carter offered to mediate between Ethiopia and Israel on further emigration of Ethioplan Jews to the Jewish state.

France sends patrol France sent a naval patrol to the Comoros archipelago in the Indian Ocean but ruled out military intervention in its former territory, despite the refusal of the mercenaries

Teacher made saint A Belgian priest, Father Mutien Marie Wiaux, who devoted his life to teaching children religion was declared a saint by Pope John Paul IL

Argentinians strike Argentine railway workers went on strike paralysing most of the country's train services, as President Carlos Menem's cabinet prepared a package

NRJ, France's third largest commercial radio station, com of new economic me Namibian memorial pleted its flotation on the Paris Swapo, Namibia's former guer-rilla movement, joined some of its main political rivals at market after relaunching its share after its share issue was subscribed a record 300 times. a service to commemorate the murder of 18 blacks by South Page 19 CIBA-Gelgy of Switzerland's

African police 30 years ago. and its US partner Chiron Cor-Andorrans vote funds totalling about C\$250m (\$216m) into Connaught Biosci-Andorrans voted for a new parfiament in their mountain prin-cipality where political parties ences if the Federal Government gives the go-ahead for its takeover offer of the Cana-

**Escargots** brules Fifteen thousand one-year-old snails bred for top gourmet restaurants in France were killed when fire swept through their breeding pens at a Lincol-nshire, England, farm.

# **Business Summary** Euromarket future in doubt after Tokyo move

Moves by the Japanese Ministry of Finance appear to have jeopardised the future of the Euromarket by threaten ing to staunch the flow of Japarese equity warrants that has been the market's lifeb-

The substance of the MoF's intentions seemed to be directed at the trading rather than the issuing of equity war-rants, but many houses are worried the side effects will be damaging to the Euromar-ket's core business. Page 18 **EUROPEAN Monetary System** the Spanish peseta remained the firmest currency as investors continued to favour

Spain's high interest rates. The D-Mark was also strong as the political upheaval in Eastern Europe unfolded. But the French franc eased and took it near the bottom of the EMS grid.

December 8,1989 000 F Franc
B Franc
D Krone
Irish Punt
Guilder
D-Mark
Pessia
Sterling

Link . ECU Party III Day Position

The chart shows the two con-straints on European Monetary

System rates. The upper grid,

chart gives each currency's

European currencies

divergence from the "central rate" against the European Cur-rency Unit (ECU), a basket of

CANADA's financial services: the Mulroney Government failed to achieve consensus on new legislation governing the financial services industry

after three years of trying.

ARGENTINA'S debt: A \$500m.

debt-equity conversion fund

equity affiliate. Page 19

BELL resources, 58 per cent owned by Bond Corp Holdings, said it would fight the request by The Adelaide Steamship

group to the West Australian Supreme Court for a receiver

UK PETROL Stations: Oil com-

pany control over UK petrol

stations could be seriously weakened under UK Monopo-lies and Mergers Commission proposals, Page 16

involved in negotiations in Thatland to establish a bridge-head for its slow-selling RAA

146 regional jetliner in the growing South-East Asian air-line market. Page 5

KODAK: Colby Chandler, chief executive of Eastman Kodak,

is retiring from the photo-graphics products company after six years. Page 19

MONDADORI: the battle for

control of the Italian publishing group promises a rich volley of legal salvoes this week after a decision by the com-

pany's board to seek a L320bn (\$243m) capital increase at an

extraordinary shareholders' meeting on January 26. Page

poration will inject research

UK Water privatisation: The

basis of allocation of shares

in the £5.24bn (\$8.2bn) water

privatisation issua will be announced today. Page 6

dian vaccine maker.

BRITISH Aerospace is

to he appointed to the com-pany. Page 19

aimed at Argentina's forthcom

**ECU DIVERGENCE** 000

CZECHOSLOVAKIA yesterday took a step from totalitarian-ism towards fledgiing democ-racy when President Gustav a deputy Prime Minister w Husek resigned after swearing in a reformist government in which Communists are in the minority.

minority.

The new Government, in which dissidents persecuted in the past occupy key posts, faces the task of taking the country into free elections.

In Wenceslas Square, as the Government was taking the oath of office, Mr Vaclay Havel, the moral leader of the Civic Forum opposition movement, told a cheering crowd: "Truth and love will win against lies and hatred."

Mr Havel, tha playwright, has emerged as the main candidate for the presidency following his declaration last week that he would stand for the post.

night they could see no other credible candidate The cabinet includes three pro-market economists, includ-ing Dr Valtr Komarek who becomes first Deputy Prime The secret police, the STB, will be under the direct control

His supporters said last

the post.

of Dr Jan Carnogusky, who until two weeks ago was in jail for civil rights activities in Slo-Mr Marian Calfa, the 42year-old Communist prima

minister who impressed a scep-tical opposition with his handling of the negotiations to form a government said yester-day: "We are ready in the eco-

His economic team – Dr Komarek, Dr Vladimar Riculty, a deputy Prime Minister who is also head of the Planning Com-mission and Mr Vlaclay Klaus, the Finance Minister - are men of a radical, even neo-liberal persuasion who intend sharply to accelerate the snail's pace of economic reform.
Mr Jiri Diensbier, another

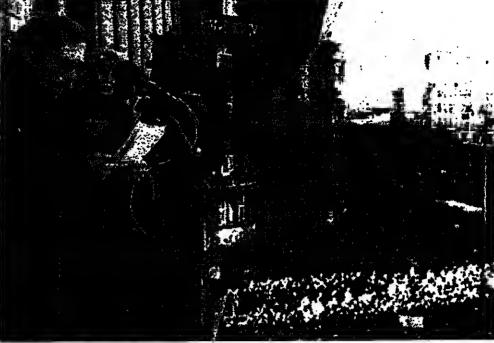
former political prisoner, takes the Foreign Ministry and will wish to turn the country's ori-entation towards the West. Mr Calfa said yesterday: "Our country lies in the centre of Europe – a continent which has gone through a long period of peace based on the division of forces.

"Now there are conditions for it to become a common home for all states and nationalities." He added, however, it would

respect all international com-mitments — which includes the Warsaw Pact defence community and the Comecon economic bloc. Of the three sensitive ministries of the Interior, Foreign Affairs and Defence only the

hands, those of Mr Miroslav Vacek. In all, the Cabinet contains 10 Communists. But two of them, Mr Komarek and Mr Dlouhy, are closer to the Civic

Forum than to any other political force. Tha Socialist and Peoples' Party have two cabinet mem-bers of which one each is a Deputy Prime Minister – and



One-time dissident Vacley Havel addresses a packed Wenceslas Square to announce the names of Czechoslovakia's first non-communist dominated Government since 1948 ronment - while others will

there are seven independents, including one woman, Ms Kve-toslava Korinkova, head of the s' Control Commiss In addition, Mr Miroslav Kusy, another dissident, has been named head of the Federal Office of Press and Information — not a Cabinet post,

zech reformers take over

though it may become one. It is likely that new minis-tries will be created — includ-ing one dealing with the Envi-

be restructured. A new president must be elected within the next two weeks, by the Federal Assembly, which meets tomorrow.

Mr Havel Mr Ladislav Adamec, the former Prime Minister who resigned last week after failing to form an acceptable government, and Mr Alexandr Dubcek the former Communist

of People's Deputies - the

us of the

party leader deposed by the Soviet led invasion in 1968, have all been mooted for the job — but intensive discussions have so far failed to produce a consensus.

It is understood Mr Havel has full Opposition support and as leader of the movement which has caused this rapid tr ansformation of Czech politics, he stands the best chance.

# **IMF** chief seeks to clinch Polish

BOTH Poland and the IMF hope that a letter of intent on an economic rescue plan for country's supreme legislative body – next week, He also rejected calls for new the country can be in place by the end of the week, writes laws on property, land, devolu-tion of power to the provinces, and taxation, to be urgently decided by the Congress.

And Mr Gorbachev sharply Christopber Bobinski from Warsaw. Mr Michael Camdessus, IMF

economic pact

director-general, is in Poland for a final round of talks on an adjustment programme that will form the basis of the rescue plan. Agreeme

way for a \$300m bridging loan for Poland to be paid in advance of projected IMF stand-by credits worth up to \$700m. Agreement is also cra-cial for the \$1.67bn worth of Gorbachev faced a concerted conservative onslaught on the loans suggested by the World Bank for disbursement during the next 18 months. Full report, Page 2

## HUSAK RESIGNS ● FORMER DISSIDENTS IN TOP POSTS ● HAVEL PRESIDENTIAL FAVOURITE Four Allied powers to hold talks on German air links

By Leslie Colitt in Berlin

THE four Second World War Allies, in a remarkable display of unity, are to hold a formal meeting in West Berlin today to discuss the growing pres-sure for closer ties, including air transport links, between East and West Germany.

The meeting between the ambassadors to West Germany of the US, Britain and France, and the Soviet ambassador to East Germany, will be the first of its kind since 1971, when the Berlin Agreement, which lays down the city's current regime,

was negotiated.

The most immediate question facing the talks, to be held at the Allied Control Authority, will be that of commercial ir transport for which the war victors retain responsibility in a leftover from 1945.

But, equally important, the meeting is intended to demon-strate that the wartime Allies still have a word to say in the future of the two German

Both Bonn and East Berlin aim to greatly expand their air links but must gain approval by the Allies. West German officials have criticised the exclusive use by Western Allied aircraft of the air corri-dors as an anachronism.

The West German airline Luftbansa and East Germany's Interfing recently agreed flights linking Frankfurt, Ham-burg, Düsseldorf and Munich with Leipzig and Dresden. But Allied control of inter-

German air traffic means the two carriers are forced to fly a circuitous route via the Baltic Sea and Czechoslovakia to reach their destinations. Lufthansa is also anxious to fly to Berlin where the airline had its pre-war headquarters at Tempelhof airport. But Berim has been barred to it until now by the sole use of the air corridors by airliners of the four Allies. The Four Powers are also expected to discuss the pro-posal to hold the Olympic Games in East and West Berlin

 David Goodbart writes: Mr Hans Modrow, East German Prime Minister, told nearly 300 of the country's top business men et the weekend that greater independence for them and their companies was a key element of economic reform. However, he also painted a

Continued on Page 16 Eastern Europe, Page 2; US view on German unity, Page 4

# Gorbachev bolsters party position

By Quentin Peel in Moscow

MR MIKHAIL Gorbachev, the from the Politburo. Soviet leader, moved swiftly this weekend to bolster his position in the Communist-Party, in the face of a growing backlash by conservatives.

He assumed a new key post, as head of what could well become a new Russian Com-

munist Party, within the over-all structure of the Soviet Communist Party. The mova appeared to be aimed at beading off the almost certain election of a far more conservative figure who could have eventually threat-ened his position as General

It was the most important outcome of a stormy meeting of the Communist Party central committee, which saw a string of conservative speeches and attacks on weak leadership

The Soviet leader will add to his already sweeping powers the job of secretary of a special Bureau in the Central Committee apparatus for Communist Party affairs in the Russian federation. Russia has hitherto had no separate party organi-sation, but simply dominated

the Union party.
The devolution of power from the centre and the growing demands of the non-Rus-sian republics, have made the creation of purely Russian institutions urgent, not least to answer the demands of Rus-

The rest of the Bureau is dominated by more conservative figures, like Mr Boris Gidaspov, the leader of the Leningrad city and regional parties, Mr Vitaly Vorotnikov,

the president of the Russian Supreme Soviet, Mr Ynri Pro-kofiev, the Moscow party chief, and Mr Valentin Chikin, edi-tor-in-chief of Sovietskaya Ros-

siya newspaper.

Mr Gidaspov has been critical of the party leadership, presiding over a rally in Leniagrad two weeks ago which heard speeches denouncing the "betrayral of the 1917 revolu-"betrayal of the 1917 revolu-

Despite the inner-party critiperestroika must accelerate. particularly in economic reform. He also welcomed the positive changes" in Rastern

He refused, however, to give in to radical demands for the "leading role" of the Commu-uist Party itself to be debated and amended in the Commu-

attacked radical deputies, including Dr Andrei Sakharov, who have called for a two-hour token strike today to urge those demands. Full 0 have yet to emerge, but from first reports, and the list of speakers, it is clear that Mr

confusion wrought by eco-

nomic and political reform, and the disarray in the ruling Continued on Page 16

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# West German objections put EC banking directive at risk

THE European Community's recently agreed draft legislation for the banking sector. drawn up after lengthy negoti-ations, could be threatened by a last-minute objection from West Germany to minimum capital requirements for banks. Tha West German with-drawal of support after the leg-islation had been agreed in principle – an exceptionally rare move – undermines an

essential part of the EC's plans for a single market in 1992. The banking legislation sets conditions for European banks to operate in any member states. Member states had agreed unanimously during the sum-mer on a bank solvency direc-tive and the related second banking directive. Both measures were set to be adopted finally by ministers this month. If West Germany cannot be brought into line by January 23, when the legislativa timetable runs out, the

ON OTHER PAGES ● EC sets course for economic and monetary union Page 3

Hurd steers Thatchar towards conciliation

Page 14 • Mitterrand speech; points from the aummit communique Page 16

countries. In particular, it wants less

give its mortgage institutions the same special treatment – lower capital require-ments – granted to similar national institutions in other

onerous capital requirements to apply to mortgage lending on commercial and office build-ings, and wants these to last until 2001, five years longer than under the draft directive. Pressure was brought to two draft directives will lapse. West Germany objects that the solvency directive does not bear on West Germany at the Strasbourg summit and offi-cials were hopeful that a com-

The other 11 member states are viewing the matter with concern, and the communique from Strasbourg made explicit reference to the solvency directive as one of the most urgent areas for attention in the sin-gle market legislation.

promise could be reached.

Although the banking legis-Attnough the nanking legis-lation could in theory be passed by a majority of mem-ber states, in practice it needs unanimous approval due to a quirk in Brussels procedure that covers measures on which the 12 and the European Commission are not in agreement.

• EC leaders also called over the weekend for faster progress on the taxation of savings, and on measures to stop tax evasion once capital markets have been liberalised.

The 12 made a further com-mitment over the weekend to bringing their rates of value added tax closer together – an issue which has ontil now been kept towards the bottom of the list, dus to the problems in

THE MONDAY INTERVIEW



ment Frank Field "deeply resents" charges that he is a maverick MP, out of touch with mainstream Labour Party thinking. Nevertheless, his political future has been threatened by a key decision announced

monetary union \_ 1992: Untangling Europa's telacommunicatelephone. Flawed plan for student loans bonds: Demutualisation .

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Europes Setting a course for economic and

UK GIIIS . Unit Trusts

# Gorbachev stresses Soviet non-interference

By Quentin Peel in Moscow

IN THE fece of profound concern hy Soviet Communist Party loyalists at the pace of change in Eastern Europe, President Mikhail Gorhachev at the weekend came out with his most positive assertion yet of non-interference by Moscow, and even s welcome for the whole direction of change. Only on East Germany did

he issue a clear warning to the West in general, and West Germany in particular, against any attempt to intervene in the

any attempt to intervene in the process of reform.

"We firmly declare that we will see to it that no harm comes to the GDR," he told a stormy meeting of the Soviet Communist Party central committee on Saturday.

However, his speech was far more remarkable for its posi-

By Christopher Bobinski in Warsaw

MR Micbel Camdessus, director-general of the Interna-

tional Monetary Fund, has arrived in Poland for a final

round of talks on an economic

adjustment programme that will form the basis of a plan to

rescue the country's stricken

Both sides hope that a letter

of intent on the programme can be in place by the end of

this week, thereby opening the way for a \$300m (£190m) bridg-ing loan for Poland to be paid

out in advance of projected

IMF stand-by credits worth up

Agreement with the Fund is

also crucial if Poland is to

receive a further \$1.67bn worth of loans which have been pen-

cilled in hy the World Bank for

disbursement over the next 18

months and if payments are to

be restructured on the \$38bn that Warsaw owes Western governments and banks.

On Saturday Mr Janusz Sawicki, a deputy finance minister, admitted that the Government

had little room for manoeuvre with the IMF. He was speaking

to representatives of small pri-

vate husinesses who were pro-

testing at losing the right to

hold hard-currency accounts

from January 1.
The IMF is insisting that no

economy

to \$700m.

IMF chief seeks to

clinch Polish accord

tive assessment of the process of change, and his undisguised enthusiasm for the revival of co-operation with both Western Europe and the US, than it was for the one negative note of

warning. He declared that the changes in the socialist states were "the result of internal development. the result of choice by the peoples themselves". Moreover, "they proceed in the same mainstream as our perestroika, although we in no way encouraged these processes."

He blandly referred to the loss of power by the Commu-

nist Party among the Soviet Union's leading allies. "In some socialist countries, the situation has been unconven-tional," he declared. "Fraternal parties are no longer ruling in

friends in the German Democratic Republic and Czechoslovakia have largely lost their positions. New political forces have emerged on the arena."

Then he went on to insist that it was np to the Communist Parties concerned ("our friends") to reassert their own influence, by learning "to master on the move the science of political work in the new conditions of real, rather than merely declarative, pluralism".

As for the Soviet Communist Party, it must learn to live with the new political forces

emerging. He said that the Warsaw Pact must change to come to terms with the new realities of Eastern Europe - while expressing confidence that all

Poland and Hungary. Our the allies were still loyal to its concept "because the commu-nity of our interests in ensuring stability and peace in Europe is maintained".

As for Comecon, the Eastern hloc's trading organisation, "radical changes in the mechanism of co-operation are needed," he said. Without them it is inconceivable to accomplish one of the main tasks of the present day - to integrate gradually the economies of our countries into the all-European and world structures."
The one lesson Mr Gorba-

chev was not prepared to draw, however, was that the Soviet Communist Party's own "leading role" in society should be immediately repealed although be did not rule out a change in terms of the wholesale rewrit-

ing of the Soviet constitution.
The Soviet leader, who clearly faced strong criticism from rank-and-file members of the central committee for the upheaval being cansed by perestroika, sought to show more clearly than ever how his foreign policy was transform-ing the international situation

to Soviet advantage.

He praised the understanding he had received from West European leaders, and from President George Bush of the US, on the need for "a well-considered and cautious line in the

sidered and caunous line in the conditions of deep processes taking place in western and eastern Europe".

In particular he singled out the support of President Francois Mitterrand of France over German reunification.

# Gregor Gysi after his election as East Germany's Communist Party leader: as a lawyer he has defended dissidents E German party opts for Jewish lawyer

By Leslie Colitt in East Berlin DR GREGOR GYSI, the 41-year-old lewyer elected head of the East German Commnnist Party on Saturday, may be just right for the job. The Socialist Unity (Communist) Party of Germany (SED) is on the hrink of political bankruptcy and may soon need a liquidator with his legal tal-

Choosing him to head the SED, until recently one of the most Stalinist of East Euromost Stainist of East Euro-pean parties, is remarkable in itself. The self-deprecating intellectual – the first to head the party – who bears a slight resemblance to a halding Woody Allen, has defended East Germany's leading dissi-dents. He is the lawyer of Ms Bärhel Bohley, a founder of Barbel Bohley, a founder of New Forum, the leading oppo-sition group and is head of the East German lawyer's federa-

Equally noteworthy. Dr Gysi is of Jewish origin which may have helped him gain 95 per cent of the votes of the delegates to the emergency party Congress. The party was not only rejecting its Stallinist origins hut going through an agonising self-doubt not unlike the early post-war German reaction to the Nazi era. Unlike memhers of the discredited Politburo under Mr Erich Honecker, who disguised their Jewish background, Dr Gysi is openly supportive of the tiny Jewish community in East Ger-Equally noteworthy. Dr Gysi Jewish community in East Germany which numbers less than

But Dr Gysi sounded like a Western Marxist professor when he warned delegates against capitalist monopolies and transpational companies, sighing frequently and accent-ing his predicament by ner-vous laughs.

He made clear that the SEDcould only survive by following the long-tabooed "third way" of socialism in Germany which was crushed in 1943 by Stalin and his henchman Walter Ulbricht, the first SED leader.

Shedding its Stalinist Politburo and Central Committee, buro and Central Committee, the party has elected an executive hoard, a chairman (Dr Gysi) and his deputies who include Mr Hans Modrow, the Prime Minister, and Mr Wolfgang Berghofer, the fast-rising mayor of Dresden. Just how far the party has fallen is shown by the fact that either Mr Modrow or Mr Berghofer would row or Mr Berghofer would have been the logical choices to lead the SED. Instead, the party is now its own worst lia-bility and all attention is being focused on Prime Minister Modrow.

Although the overwhelming majority of the democratically-elected delegates spoke out against dissolving the party, one man from the Neptun Shipyard in Rostock said he was afraid of returning home and telling the "comrades" that all they had was a party with a new name - put off, however, until next week -

# Czechs triumph over their ruling class

By John Lloyd in Prague

AT 2pm yesterday Mr Vaclav Havel stepped ont on a balcony before the crowds on Wences las Square and told them that in three weeks they had made

a "peaceful revolution".

"Events have run at a speed which surprised all of us. Forum has become synonymous with this square — our country has become a square where everyone can say what he thinks."

The organisation of which he became the deserved moral became the deserved moral leader can justify such self-congratulation: without so much as throwing a stone, this movement has destroyed the basis of Communist power. Some of its doughtlest fighters now take their place in a government whose first duty, according to Mr Marian Calfa, its Communist Prime Minister, is to prepare for free elections to prepare for free elections and an expression of the peo-

"and an expression of the peo-ple's will".

It is not sentimentalism to say that this triumph belongs to the Czechoslovak people, the students in particular. The spontaneity of the movement has been its central feature: as Dr Valtr Komarek, the econo-mist who is now First Deputy Prime Minister charged with Prime Minister charged with economic affairs, put it 10 days ago, it was a nation of 15m against a ruling class of

Still, the agreement which ushered in yesterday's govern-ment had to be thrashed out and in the new beginning huge questions are begged which will now form the stuff of real

politics in Czechoslovakia. First, the opposition has completely captured economic policy. Dr Komarek, with Mr Vladimir Dlouhy, a deputy Prime Minister in charge of planning, and Mr Veclav Klaus, the Minister of Finance, are all members of the Prognostik Institute, the officially derided research centre which has urged thoroughgoing market reform. They are all, in varying degrees, free marketeers.

Second, the opposition has effective control of the Interior Ministry — which in turn con-trols the police and especially the STB, or secret police. Here, the mordant humour which has been a hallmark of the peaceful revolution has flashed out: of the three men – Mr Calfa, Dr Komarek and Dr Jan Carnogursky - who will over-see the ministry, the lastnamed has particular responsi-hility for the police; and he should know them well since they spied on him, harassed him and arrested him for his civil rights activism in his

native Bratislava. Foreign policy shows the same leaning towards creative tension. Mr Jiri Dienstbier, the new Foreign Minister, is a former foreign correspondent who served three years in jail.

Most urgent among tha hlank spots which remain is the presidency. Mr Gustav Husak, who led the Communist Party for much of the post-1968 period, resigned this weekend. appearing on television on Sat-urday night to make an uncharacteristically straightforward speech. But his successor must be chosen by the Federal Assembly tomorrow: it is a largely unreformed body.

Mr Havel is now a public candidate, but he msy not want a mandate from such a body.

body - even if they will stolidly vote for him if told to do so by the Communist Party.

# Nemeth says Hungarian election likely next March

By Judy Dempsey in Budapest

"internal convertibility" system under which exporters will be forced to sell all their earn-ings to state banks for zlotys in return for guarantees that they will be able to buy foreign cur-rency when it is needed at a stable exchange rate.

The Poles still have to whittle down their 1990 government spending plans, which are seen as too generous by the Fund, and agree on an effective way of holding hack wages growth in the coming months.

The first weeks of 1990 will the first weeks of 1990 will see a big price explosion which the IMF wants to have matched by an initial growth in pay followed by e wages freeze designed to squeeze inflation out of the

Preliminary drafts of next year's budget estimate that the cut in real wages next year should reach at least 20 per cent.

The Government, however, sees a wage freeze as near impossible to execute and are opting for a prohibitive tax on wages growth as the best bet for controlling incomes.

IMF-inspired measures are currently being incorporated in next year's draft budget, along with a mass of amendments to existing legislation.

"What we are talking about is the national interest of the EMERGENCY talks between Hungary's government and independent political parties and trade unions, aimed at country. The economic programme cannot be subordinate tackling serious economic problems and filling the politi-cal vacuum, were edging yes-terday towards a fragile conto the political interests of any

one party," he said.
The political vacuum arose after last month's referendum, in which voters delivered a hlow to the Socialist (formerly Mr Miklos Nemeth, the Prime Minister who tomorrow begins a three-day visit to Lon-don, had earlier voiced deep Communist) Party and a vic-tory to the opposition Free Democrats hy approving a pessimism about prospects for agreement on procedures for delay in next year's presiden-tial elections until after the next year's free elections and legislative elections. on implementation of austerity measures recommended by the

The referendum catapulted the Free Democrats, previously considered the second-ranking International Monetary Fund. opposition group, into the lime-light and caused confusion in the larger, less radical Demo-But Mr Nemeth said last night that there was hroad agreement at least on the date of parliamentary elections which would probably be held

cratic Forum, which had called for a boycott of the plebiscite. The IMF-inspired measures on which Mr Nemeth is seek-ing consensus include: An austerity budget to be considered by Parliament on December 18 has heen described by the IMF, whose officials met Hungarian repre-A reduction of next year's hudget deficit from the currently projected level of Forints 21bn(£230m) to F10bn. sentatives last week, as a good foundation on which to com-plete negotietions for the • Reduction of annual state subsidies from the present unblocking of a \$350m credit whose final tranche the Fund level of F210bn to F170bn. Reduction of the balance of payments deficit from \$1.5bn to

Mr Nemeth has spoken of the need for all the country's political forces to take respon- A sharp reduction in the Rouhles 100m "surplus" in trade with the Soviet Union, sibility for hard decisions.

almed at reorienting the country's exports to hard currency markets.

Hungarian exports to the Soviet Union and other Comecon countries will be reduced by 25 per cent. Mr Nemeth has alwesty indicated that this will already indicated that this will lead to factory closures. Apart from unblocking the \$350m IMF credit, agreement with the IMF on these measures should also trigger the release of an Ecu 1hn loan

from Brussels. Acceptance of the IMF programme would, Mr Nemeth has said, involve the following

• Lifting the celling on interest rates, including deposit Redncing mortgage subsidies on housing, a sensitive issue in a country with an

acute housing shortage.

A rise of unemployment, from its current level of 20,000 to 25,000 to between 50,000 and

He insisted, however, thet pensioners and young families would be protected. The government, he said would increase its social support from its current F25bn to F40bn. Hungarian officials seem to be pinning hopes on Chancel-lor Kohl of West Germany, who visits Budapest this week.

# Stasi lose their career security

By David Goodhart in Leipzig

Tr IS hard not to feel a little sorry for Mr Wolfgang Zemmrich, one of the few losers in the East German revolu-After a lifetime spent root-

ing out class enemies, Mr Zemmrich — a junior official in the hated "Stasi" security police — has suddenly become one, and is quite bewildered. "We feel up in the air at the moment," he said at the weekend. Along with a few colleagues he was locked inside the Stast office in the small

(and aptly named) town of Grimma 30km south-east of smog-ridden Leipzig. It is still not clear whether the state security service, now renamed the Office of National Security, will be disbanded completely or merely slimmed down and given new tasks.

In either case most of the 40 people who used to work in the Grimma office keeping an eye on about 50,000 citizens will have to find new jobs. According to Mr Zemmrich that is easier said than done.

He and some colleagues have already applied to sev-eral local companies and been turned away. He hopes that there might still be a role for the Stasi in observing the neo-Nazis which the authorities exist

He protests that he is suffering for the crimes of others and says the Grimms office was mainly involved in stopping "economic crimes", adding "we didn't really have any dissidents bere". My young East German compan-ion observed, later, that Mr Zemmrich is probably just old enough to be denying all responsibility for his actions for the second time in his

In the office where we spoke stood the Stani files and a large safe which had been sealed by the local state prose-cutor on December 6 to stop

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destruction of records. The office is now in the charge of the ordinary Volkspolizei. weekend a story that several foreigners have been shot dead in Leipzig and Karl Marx

Outside the giant Stasi office people used to work, there is a standing guard of half a dozen policemen to ensure that angry citizens are not tempted to try moh justice.

Inside the building is a "citi-zen's committee" working through the files but nobody doubts that the most incriminating have already heen destroyed. At the weekend several sets of letters which never reached their destination, presumably because of subversive content, were discovered in

one of the rooms. Although isolated attacks on Stasi property have been reported there is no evidence of a slide into chaos which some politicians fear as a con-sequence of the current power vacuum in the country.

But rumours abound. The authorities had to deny at the

According to another rumour Russian troops have been placed on full alert. In Grimma - where there is a large Russian garrison - the coldiers in the streets, laden with Christmas presents, denied they were at the

Ordinary citizens do, how ever, seem fearful of political conflict - a fear which may conflict — a fear which may simply reflect their lack of experience of any public, peaceful, political debate. Mrs Gelinda Dammegger, a 49-year-old Leipziger, says, for example, that the atmosphere at the weekly Leipzig marches have become harsher and she now fears clashes between prograd anti-remification supportand anti-reunification supporters. She, like most East Germans, finds herself slipping somewhere between the two

BOND TRUST OF THE WORLD (Mutual Fund organized under the laws of the Grand-Duchy of luxembourg)

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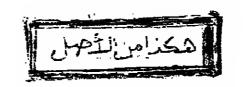
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# EC sets a course for economic and monetary union

David Buchan and Ian Davidson examine the likely timetable

HE weekend saw the widely predicted launch of the Community ship into the unpredictable waters of economic and monetary

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skirmishing on the bridge between Chancellor Helmut Kohl and President François Mitterrand. But when the for-mer conceded – even before the Strasbourg summit opened for business — that starting the Inter-Governmental Confer-ence (IGC) on monetary union after the German elections late next year would do him no electoral harm, most of the ten-sion went out of the summit. Journalistic interest held up, because of the possibility of a double-barrelled blast by Mrs Margaret Thatcher against treaty revisions to create Emu and against the Social Charter, and of a horse-trade on Ger-man reunification and Emu. Neither materialised and Mrs Thatcher ceded quietly.

I naucher ceded quietly.

In a hare two hours of discussion about Emu, few issues of substance were raised, let alone clarified. Chancellor Kohl, for instance, made it clear he wanted to see the European Parliament's powers increased in the acctont. increased, in the context of Emu and ready for Parliamentary elections in 1994, but he didn't say how much.

The timing of the IGC is now clear in broad outline: Preparatory work (mandated to be "full and adequate" by last June's Madrid summit) will continue next year. By April the Brussels Commission will produce a report that will assess the benefits of Emu, as its 1988 Cecchini report esti-mated the impact of the single market programme, and maybe take into account any alternative plans for Emu such as that already tabled by the UK.

The Dublin summit of late June will take stock, mainly of

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the Community's readiness to meet its commitment to start a first stage move to closer monetary cooperation on July.

The IGC itself will open in Roman famore under the presidency of Italy at the very end of next year. If it then follows the Single European Act pat-tern, line-by-line arguments about setting up a European sentral bank, knitting eco-nomic policies together, and creating democratic control will move to weekly meetings of diplomats in Brussels and monthly reviews by ministers. • The next landmark, Mr Kohl suggested, would be the Dutch, at which EC leaders could review progress on both Enu and the working of the Delors plan's first stage of closer monetary co-operation. Mrs Thatcher has undertaken to put sterling into the European Monetary System's parity grid sometime during this first

stage which she supports.

No guillotine date has been set for wrapping up an Emucreating treaty. Mr Millerrand

said he hoped that everything would be finished by the end of 1992 (target for achieving the single EC market), but the time needed to get a treaty ratified by 12 national parliaments meant that a closing date nearer the mid-1994 European Parliaments alections. pean Parliament elections could not be ruled out.

However, another possibility raised by the French leader is that the IGC might deal first with Emn and then with its implications for the Parliament, rather than in parallel.

Parliamentary leaders served notice on Strasbourg summinotice on Strasbourg summi-teers that they want an even bigger increase in powers than they got in the Single Euro-pean Act, a demand which will be backed by Germany and Italy and opposed by Mrs Thatcher. "In the House of Commons there is more effec-tive democratic accountability then was cert in the European

tive democratic accountability than you get in the European Parliament," she said.

The British leader said she would continue to fight her corner for a market approach to Emu, whereby the constraints of the EMS exchange rate mechanism drive countries' monetary policies towards low German inflation.

In apparent new-found In apparent new-found enthusiasm for a system from which she has stayed apart for a decade, she said: "The moment (by altering the EMS) you go from the rigid and valu-able discipline of the German control." central bank and peo-ple. you lose the very thing that helps you get inflation

down."

The struggle for Emu will probably be fought over three main issues. First, the question of whether tight interweaving of whether tight interweaving of monetary policies — inevitable with anything approaching a single bank running a single currency — needs parallel strictness in economic policy.

The single most criticised

element in the Delors report still the basic blneprint for Emu, calls for binding rules on tries' budget deficits. But since this was semi-imposed on the Conmission president by Mr Karl Otto Pohl, the Bundes-bank president, Mr Delors is ready to throw it overboard. Second, poorer countries on the Community rim will want more BC money to boost their less productive economies and prevent an otherwise natural drift — in a state of Emu — of

jobs and investment to the EC's richer geographic centre. The final problem is how to enough to satisfy the Germans but controllable enough by pol-iticians to please the others. In this welter of issnes, In this welter of issues, Britain may be ambiguously placed. "We could be on the side of those who believe that central banks have to be democratically accountable," said a UK diplomat, "but on the side of those who feel that economic decisions don't have to be taken at the centre."



# States tackle minefield of reunification

THE STRASBOURG SUMMIT

TENSE discussions of the himself happy that the objecproblem of German reunification at the European Commu-nity summit produced a joint declaration endorsing Ger-many unity, but only on care-fully-worded conditions. The declaration said the 12 Community members "seek the strengthening of the state of peace in Europe in which the German people will regain its unity through free self-de-termination," but it made clear other important principles had to be taken into account in the to be taken into account in the achievement of this objective. In particular, the process should take place peacefully and democratically and must fully respect "the relevant agreements and treaties" and the principles defined by the Helsinki Final Act of 1975. It should also occur in a context should also occur in a context of East-West dialogue and co-operation and "in the perspec-tive" of European integration. Chancellor Kohl professed

tive of German unity has been formally recognised by the European Community leaders, but the text of the declaration is a veritable minefield for those wanting to advance rapidly towards the unification of the two existing German

signed by 35 western and east-ern European countries, as well as the US, the Soviet Union and Canada, recognises Union and Canada, recognises
the post-war borders established in Europe.

Moreover, the phrase "relevant agreements and treaties"
clearly covers, in the first
place, the responsibilities
which the four victorious Second World War allies - the US,
the Soviet Union, Britain and

the Soviet Union, Britain and France - assumed for Berlin, pending the signature of a formal peace treaty with Ger-

What the Community lead-

ers are saying, therefore, is very similar to what US President George Bush and Soviet President Mikhail Gorbachev sald at their meeting last week in Malta and what President Mitterrand declared after his talks with Mr Gorbachev in Kiev last week. The German people should be allowed to decide freely the

future of their nation, but they cannot take such a momentous step without reference either to the legal situation as defined by international agreements and treaties or the vital interests of other countries. There were times before and during the two-day meeting when disagreements on this sensitive issue between Chan-

cellor Helmnt Kohi of West Germany and some of his part-ners - not least Mr François Mitterrand, the French President and chairman of the con-ference - threatened completely

France is not alone in believing that the liberalisation of Eastern Europe calls for an acceleration of the Commu-nity's internal development, so as to anchor West Germany more firmly to its Western moorings. In spite of all the official denials, therefore, it was plain how a deal could be made.

In return for German agree-ment to a date for the intergovernmental conference oo economic and monetary union albeit very late in 1990 to allow the West German general election to take place - the French would accept a declaration on German unity which, in spite of the heavy conditionality attached to it, broadly meets Mr Kohl's domestic con-

The Franco-German alliance has therefore survived. But the general expectation is that it faces more difficult tests in the

# **Fears of German** influx delay pact on open borders

By David Buchan and Lucy Kellaway

WORRIES by four of West Germany's EC partners about the influx of East Germans into the federal republic are likely to see the postponement of the planned signing on Fri-day of an immigration pact thet would abolishing border controls between the five Community states.

According to West German and Dutch ministers at the Strasbourg summit, France in particular has had second thoughts about the implications of removing frontier con-trols with West Germany at a time when East Germans are freer to take up Bonn's automatic offer of passports to citi-zens of East Germany.

A month ago the five "Schengen" states - France, West Germany and the Benelux countries - announced they had reached agreement on police co-operation and immi-gratioo policy which would allow them within a year or so to create a frontier-free travel zone between them. Formal signature of the agreement was to come this Friday in the Luxembourg village of Schengen, where the five originally undertook back in 1935 to abol-

Another last-minute hitch with the Schengen agreement is a move by Luxembourg's partners to get the duchy to lift bank secrecy where tax eva-sion is suspected. This has been a long-running bone of cootection between Luxem-bourg and immediate EC neighbours like France.

neighbours like France.

Removing border checks for travellers figured prominently in the Strasbourg summit communiqué, which declared that work on it should be "accelerated so that progress towards the free movement of persons cao keep pace with that achieved on the free movement of goods, services and capital" of goods, services and capital' within the 1922 programme. To this eod, EC leaders called for "inventories" to be made of the Twelve's individual positions on immigration and asylum, for discussion of the issues by EC foreign minis-ters, and for agreements to be reached by the end of 1990. At the insistence of Mr Ruud Lubbers, the Dutch prime minister, the summit called for any new forms of police co-operation of individuals with recard to the use of personal data

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### **OVERSEAS NEWS**

# Bush's China initiative under fire

By Lionel Barber in Washington

PRESIDENT George Bush faces a wave of domestic criticism after sending two senior US envoys to China in a mission aimed at restoring relations with the Peking govern-

The surprise weekend visit formally ended the administration's six-month ban on high-level contacts with China imposed after soldiers massacred hundreds of pro-democracy demonstrators in Tianan-men Square last June.

General Brent Scowcroft, Mr Bnsh's national security adviser who led the mission, met e pleased Chinese leadership and relayed the presi-dent's desire to hring "new impetus and vigour" into

Sino-US relations. Yesterday, as congressional criticism of the mission began to grow, Mr James Baker, US Secretary of State, responded in a television interview by stressing the US had a vital national interest to maintain its "strategic" relationship

He said the Bush administration deplored the events in Tianamen Square, hut "we don't want to compound that tragedy hy isolating China in the international community. He said the US relationship was based on China's geo-stra-tegic, geopolitical importance "and we want to find ways to preserve it".

The official explanation in

Washington was that the Scowcroft mission was intended to brief the Chinese leadership on the Malta summit between Mr Bush and President Gorbachev. But Mr Baker's comments coupled with Mr Bush's own interest in China as a former US ambassador to Peking indicate that something more

ambitious is at hand.

Mr Baker said Mr Scowcroft who was accompanied by Mr Lawrence Eagleburger, deputy US Secretary of State discussed a wide range of issues, including the question of Mr Fang Lizhi, e dissident who has been given shelter along with his wife in the US with Congress ever since he refused to bow to pressure for economic sanctions against China after the massacre, but he now appears determined to ride out the criticism.

Yesterday, Congressman Stephen Solarz, the influentional New York Democrat, said the President was "kow-towing" to the Chinese without receiving any concrete concessions such as improvements in human rights.

Congresswomen Pelosi, e California Democrat, said: "The night flight to Peking makes everything we've said about our disgust and revulsion at the Chinese government only empty words."

# Manila rebels unworried by Aquino's warnings

By Roger Metthews in Manila

REBEL military officers and opposition politicians accused of being implicated in the lat-est Philippines coup attempt showed no sign yesterday of being cowed by the stated determination of President Corazon Aquino to root out and punish those responsible.
Following the surrender on
Saturdey of the last rebel
stronghold at the airbase at
Cebu, a statement purportedly
from the dissident leaders claimed that the real victory was theirs and Mrs Aquino had

survived only because of US military intervention. While the rebels were outraged, they said, by the US intervention, they wished to remain on good terms with Washington.
The 400 rebels at Cebu were

allowed to leave the base fully armed and later returned to their harracks. Despite being surrounded by loyal forces, several rebel officers are reported to have escaped. Sources suggest that more than 1,500 troops who took part in the rebellion in Manila may also have evaded capture. Gov-ernment officiele say a full-scale search has been

Meanwhile, Senator Juan Ponce Enrile hit back angrily at accusations that he was involved in the coup attempt. He said that by asking for his resignation from the Senate and for that of vice-president Salvador Laurel, Mrs Aquino was trying to eliminate all

# Brazilian socialist narrows gap

By Ivo Dawnay in Rio da Janairo

BRAZIL'S presidential election and Lula, as he is known, on 42 looked on course for a photo finish yesterday as opinion polls showed the gap continu-ing to narrow between the centre-right front runner, Mr Fernando Collor de Mello, and his socialist rival, Mr Luis Inacio Lula da Silva.

A Gallup poll published yes-terday — a week before the final ballot — showed just six points between the candidates with Mr Collor on 48 per cent

per cent. The findings match those of other polling organisa-tions, which have shown a steady improvement by the for-mer trade union militant in all

regions of the country.

Mr Collor's campaign organisers are showing signs of nervousness. Yesterday, the candidate sacked his TV production company and cancelled all engagements to revamp his remaining hroadcasts.

# France rules out Comoros intervention

By William Dawkins in Paris

FRANCE sent a naval patrol to the troubled Comoros archipelago in the Indian Ocean over the weekend, but railed out military in the Indian Ocean over the weekend, but railed out military intervention in its former territory, despite the refusel of the mercenaries holding the islands to leave.

Defence Ministry officials said there was "no question of a Prench military intervention," e stance sharply criticised by Comoros citizens and sympathisers resident in France who staged demonstrations in Paris and Marseilles on Saturday, railing for the Government to send in troops. Mr Ahmed Abdailah, President of the Comoros, was killed two weeks ago by mercenaries led by Mr Bob Denard, head of the presidential guard.

Four French naval vessels are on patrol round Grand Comore, the main island, while 100 parachutists arrived at the nearby island of Mayotte over the weekend to join the 500 Foreign Legion troops already based there.

### £10bn Venezuelan investment

Venezuela's national oil company, Petroleon de Venezuela (PDVSA), will make investments of \$15.8bm (£10km) between 1890 and 1995, according to its president, Mr Juan Chacin, writes Joseph Mann in Caracas.

Of the total, 68 per cent will go to the oil and was sector, while 25 per cent will be assigned to Petrochemicals, 4 per cent to coal and 3 per cent to fertilisers for Venezuelan agriculture. The investments are aimed at continuing the process of making PDVSA a more flexible and diversified international energy company.

### Kashmir kidnap deal

The Kashmir government has agreed to release five detained militants in exchange for the freedom of the Indian Interior Minister's kidnapped daughter, a senior official said yesterday,

Reuter reports from Srinagar.

The official, who declined to be identified, said intermediaries trying to free Rubia Sayeed, 23, had been told the government of the north Indian state would bow to the main demand of separatists who kidnapped her and free the militants.

### Death in HK refugee camp

A 25-year-old man was beaten to death with iron bars yesterday as tension rose in Hong Kong's crowded Vietnamese boat people camps on fears of an imminent start to forced repatriation,

Reuter reports from Hong Kong.

Police said the man was killed and three youths were injured as two gangs battled with iron bars at Whitehead Camp in Hong Kong's New Territories.

Workers in the camps, where some 57,000 boat people are held, say morale is deteriorating daily as people hear reports of plans to return most of them forcibly to the land they risked death to

### Mubarak criticises Shamir

Egyptian President Hosni Mubarak on Saturday criticised Israell Prime Minister Yitzhak Shamir for saying a Palestinian state already existed in Jordan, and warned against obstructing the Middle East peace process, AP reports from Cairo.

Egypt's Middle East News Agency reported Mr Mubarak's comments in response to reporters questions when he arrived from a brief visit to the Jordanian capital, Amman, and a meeting with

### Referendum for Chad

Voters lined up before dawn yesterday in participate in the first

voters ined up before dawn yesserusy in participate in the pirst national election in 20 years in the war-torn former French colony of Chad. AP reports from N'Djamens.

Although official results are not likely to be issued until late in the week, an overwhelming "yea" vote was expected to the referendum's single question, which would approve a new constitution and also give President Hissens Habre a new seven-year term in office.

### US truck sales decline

US heavy truck sales slumped in November, according to figures from the Motor Vehicle Manufacturers' Association, Anthony Harris reports. Total truck sales were 8.3 per cent down on 1988 levels, but sales of light trucks, including the fast-growing offroad and recreational vans, were only 2 per cent down in a generally weak market. Sales of the heavier trucks used in commerce, on the other hand, were down nearly 17 per cent from the same month last year

## **FINANCIAL TIMES CONFERENCES**

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This two-day conference will open with keynote addesses by The Rt Hon Norman Fowler, MP, Secretary of State for Employment and Mrs Vasso Papandreou, European Commissioner for Societ Affairs. Tha challanges for management of attracting an adequate supply of qualified people in the next decade will be reviewed by John Banham, Director-General of the Confederation of British Industry, Tony Raban, Chairman of the Forum Européen de l'Orientation Académique; Professor Dr Matti Otala, Senior Vice President of the Nokie Corporation and Iven Yates, Deputy Chief Executive (Engineering) of British Aerospace pic. Professor Paul Lee Evans of INSEAD will speak on the challenges and opportunities of a pan-European market and how companies can make existing managers more European. The Internationalisation of management will be discussed by Richard Noonan, Vice President, Industrial Ralations, Ford of Europe and John De Leeuw, Managing Director of the Corporate Staff Bureau, Philips International

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Competition policy at Community and member state levels will be the focus of the aganda at this important Financial Times conference. Speakers will assess the impact of the Brussels agreements expected on December 21 and will look at developments in the countries where there is the most interest in mergers, acquisitions and alliances. The problema of structuring deals across several jurisdictions will also be a algnification feature of the programme. Speakers include: Sir Gordon Borrie, Director General of Fair Trading; John Redwood, Parliamentary Under-Secretary of State for Corporate Affairs; Stanley Clinton Davis, Former Member of the Commission; Antony Beevor, Executive Director of Hambros Bank and former Chanter Control of the Telegraph Bank I supreme Marinel Director General of the Takeover Panel; Lawrence Maisel, Partnar at Salans, Hertzfeld, Heilbronn & van Riel; Avv Giovanni De Berti, Partner of Studio Legala de Berti Jacchie and Martin Waldenström, President of Booz Allen Acquisition Services.

All anquiries should be addressed to: Financiel Times Conference Organisation 126 Jermyn Street, London SW1Y 4UJ Tal: 01-925 2323 (24-hour answering service) Talex: 27347 FT CONF G Fax: 01-925 2125

# Baker to give US views on German unity

MR James Baker, US Secretary of State, is due to give a major Mr Baker's visit to Europe of State, is due to give a major policy address in West Berlin tomorrow which will outline US views on German reunification and the future Europe. On the eve of his departure for talks in London, Bonn and Brussels, Mr Baker said that the US snpported "step by step" moves toward German reunification "so that it can happen peacefully". He cau-tioned that too rapid a move could antagonise an already

comes amid signs of strain within the alliance over Euro-pean economic integration and German reunification. His trip aims to bind the allies together at a time of rapid change, to ensure that the US is fully briefed on the Strasbourg summit, and to help to co-ordinate Western Europe's efforts to provide economic assistance to Eestern Europe, notably Poland and Hungary.

In a TV interview yesterday, Mr Baker reiterated the administration's commitment to maintaining a strong US mili-tary presence in Europe. He said "not one single" European country wanted US forces to withdraw from Europe, not even the Soviet Union. President Mikhail Gorbachev

made this point clear during his meeting in Maltz with Pres-ident George Bush, he said. Separately, and in a further sign of US policy shifting as a

result of the reforms in East ern Europe, Mr Baker said it wes time to overbeni the CoCom regime restricting the transfer of Western technology to the Soviet bloc.

He did not favour relaxing rules on "strategic" technology which could have a military epplication, but he said it was time to simplify procedures -particularly when East hice countries could obtain the same technology "off the shelf" from other countries.

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# BAe in talks on |Untangling Europe's telecommunications networks selling 146 jet to SE Asia market

By Paul Betts, Aerospace Correspondent, in Bangkok

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remote northern parts of the

To persuade That to select the 146, BAs offered to lease the five aircraft for 2½ years at a cost of about \$200,000 a month per aircraft to That, explained Captain Ataya Watanapongse, vice president of That's domestic flight operations.

operations.

However, he said BAe was now pressing That to convert the leases into purchase agreements, but That was still

reviewing its options.

The sale of the five jetliners would secure a firm foothold for BAe in Thailand and in tha South-East Asian market. BAe marketing officials said they were also negotiating the sale of the 146 aircraft to Taiwan. Other That airline sources said BAe was also negotiating with Tradewinds, the charter subsidiary of Singapore Airlines. BAe sees South-East Asia

and its growing airline indusand its growing arrive indus-try as offering strong potential for its 146 family of jets, which can operate from difficult air-fields. However, RAe is facing tough competition from other manufacturers marketing tur-boprop or twin-engine jets for regional services in South-East Asia.

That has just acquired four Franco-Italian ATR regional turboprop aircraft jointly made

BRITISH Aerospace (BAe) is involved in negotiations in Thalland to establish a bridge head for its slow-selling BAe artialla of Italy. BAe appears to be anxious for Thai to buy the five 146s before its turboprops come into service. Fokker of the Netherlands is also marketing its F-100 twin jet in the region and won an order for 12 F-100 jets from Garuda, the Indonesian airlina, last a total of about \$120m (£76m) which the national Thai airline has taken on a 2½-year lease. BAe has already supplied four of the five jets to Thai Airways. The airline is operating the 80-100 seat, four-engine jets on domestic routes, taking advantage of the 146's short take-off and landing capabilities to open up jet services in remote northern parts of the

Textron an uprated engine for the 146 as well as a new twinengine version of the aircraft.
The BAe 146 is the British group's most important civil aircraft programme after its participation in the European participation in the European Airbus consortium. Designed by the former Hawker Siddeley group, it was first launched in 1973 but subsequently placed on ice following the post-1973 oil shump. The programme was re-Isunched by BAe in 1978 at a cost of £250m.

Until recently, the aircraft has been a slow seller, with total firm orders of just over 170 aircraft, below a break-even point of about 200 aircraft. However, sales have been picking up, especially in the North American market and for the cargo version of the aircraft.

BAe is also marketing a military transport variant of the 146 and an executive version of the aircraft called the 146 Statesman. The company coninterest Thailand in these ver-sions.

Hugo Dixon looks at a surprise deal between the European Commission and EC member states

HE fragmentation of Europe's telecommunications markets has long been seen as one of the main factors preventing European business from competing effectively in world markets. Different countries' the public operators in compete with the public operators in constructing networks and in providing the basic voice service — was never on the agenda. Each country will work out its own policy on these matters.

The final deal was a compromise in networks do not connect properly, tha development of advanced services is stifled by red tape, and communica-tion across frontiers is deterred by excessively high phone prices.

excessively high phone prices.
So the surprise deal between the European Commission and Community countries last Thursday on how Europe's Ecu?5hn (£54hn) a year telecommunications markets should be freed up is likely to be welcomed by users across the Community.

The effect of the agreement is that there will be free competition in providing advanced telecommunications services, such as electronic mail and access to computer data bases, from

access to computer data bases, from the middle of next year. From the beginning of 1993, competition will be extended to cover basic data communications. At present, in some member states, these services are the preserve of public-sector monopoliss.

Lycoming engines increased. In high-altitude airfields at temperatures of over 30 degrees Celsius, the stretched version of the 146 currently lacks the power to take off with a full load from a short runway. However, BAe is understood to be studying with Textron an uprated engine for full potential, because they often need to be tailored to individual needs – something monopoly operators have not traditionally been particularly

good at.

More radical options for freeing up
Europe's markets – such as allowing

The final deal was a compromise. In the liberal camp were the European Commission, West Germany, the UK, Denmark and the Netherlands. The majority of member states — led by France, currently president of the Council of Ministers — took a more

conservative line.

Although both sides moved in their anxiety to reach an agreement, the details of the compromise leave the essential elements of the Commis-

essantial elements of the Commis-tion's programme intact.

Two separate but linked directives were under discussion: one liberalis-ing telecommunications services; the other, known as Open Network Provi-sion (ONF), seeking to harmonise their provision across the Commu-

The main controversy on the services directive was whether private companies should be able to compete with the public operators in providing basic data services. The French-led majority originally wanted to retain monopolies over these services. Then, they proposed that private companies should be allowed to compete, but only if they obeyed strict licensing conditions.

The French were worried that private operators would skim off the most profitable business, leaving the public operators with the responsibility of supplying loss-making rural areas. They therefore proposed that

each country should be able to impose licences that would prevent such "cream-skimming".

This idea proved unacceptable to the Commission and the liberal mam-

ber states, because they were worried that licence conditions might be rigged in such a way that competition The compromise finally adopted



allows countries to draw up licensing conditions, but says these must be vetted by the Commission to make sure they conform with the competi-tion provisions of the Treaty of Rome.

Any such conditions must be trans-parent and non-discriminatory. Competition on data communica-tions will take effect from January 1993. However, member states with underdeveloped infrastructures will be able to ask the Commission for an extension of their monopolies until 1996. This provision is expected to apply only to the poorest countries -

Spain, Portugal and Greece.

Agreement on the sister ONP directive initially proved difficult, because member states had different views about what it was to achieve. The liberal minority saw it as a

means for ensuring that private ser-vice providers could get access to the networks which, in most countries, will still be public monopolies.

The conservative majority saw ONP

as a means of harmonising services across the Community. They wanted to make sure that networks connected properly, that users could get the same standard of service in any country and that tariff principles would be

uniform.
However, the UK and West Germany feared that harmonisation would be used as a back-door way of stopping competition. If private opera-tors had to obey a whole series of complicated conditions, they would complicated conditions, they would not even bother to enter the market.

The compromise envisages making ONP voluntary rather than compulsory, although the Commission has a reserve power to enforce ONP conditions if it believes the voluntary approach is not leading to a proper connection between the Community's personal by such a case between the Community's personal by such a case between the Community's personal by such a case between the Community's personal by the case of th connection between the Community's networks. In such a case, however, it is required to take only the minimum step necessary to achieve its purpose — a provision which will probably mean that ONP is not imposed on private operators, only on public ones. ONP is a framework directive, which will be followed by a series of specific directives on individual services. There was controversy over which services it should cover the

which services it should cover: the liberal group thought it should apply only to those areas - such as the phone service and the provision of leased lines – where monopolies will still be allowed; the conservatives

wanted ONP to apply other services,

such as packet-switched data, which will be open to competition. The eventual compromise fudges the issue. Priority will be given to drafting specific ONP directives for the phone service and leased lines. As for other services, directives will be examined with a view to adopting

examined with a view to autoring them in 1992.

Nevertheless, the deal leaves most of what the Commission was aiming to achieve intact. It was able to get its way, in spite of the fact that it was initially opposed by a majority of the member states, because it threatened to force the directive through even if to force the directive through even if

there was no agreement.

In doing this, the Commission was relying on Article 90.3, a little-used clause in the Treaty of Rome, which it said gave it the right to take unilateral action against public monopolies.

Several member states, including France and Belgium, are expected to challeng the constitutional basis of challenge the constitutional basis of this decision in the European Court of Justice. That, however, will not affect Finally, last week's package is probably only the first stage of a campaign to improve the Community's telecommunications services. Further discussion will be needed on whether to introduce competition in the provicing of mobile and estellite communications.

sion of mobile and satellite communi-cations services. And, at some stage, the Commission may decide to attack the high level of international phone prices within Europe. At present, it costs several times as much to make a call across Europe as it does to call a similar distance in the US.

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Pullman

# **IADB** to emphasise private sector

By Nancy Dunne in Washington .... and Barbara Duct in Santlago.....

With about \$22.5bn (£14bn) to spend over the next three years, after its seventh resource increase goes into effect next mouth, the IADB last week gave a preview of one policy shift with the announcement of a \$360m loan to promote further develop-ment of Chile's capital mar-

All the development banks have been criticised for making cheap credit available to sec-tors which eventually compete against their counterparts in the industrialised countries The Chilean programme will provide private-sector loans at above bond-market rates, a scheme designed to ensure that the credit does not become a

substitute for appropriate fin-ancing available elsewhere. Bank officials themselves have come to see problems with low-cost credit programmes. In the past, they say, the financing has become concentrated in the hands of relatively few, higher-income bor-rowers, while at the same time it has undercut the develop-

ment of home-grown capital

Mr James Conrow, the Bank's executive vice president, in a speech last week said the bank intended to move away from policies which use the financial sector as 'just a convenient means for financiar investments too small for ing investments too small for our direct participation." The attempt will be to provide investment financing "at relatively low cost, not from subsidies but by achieving efficiency in financial institu-

There is some thinking that the programme, if duplicated in other Latin American coun-

THE Inter-American
Development Bank is poised for a burst of activity next year with a new emphasis on private sector development.

tries, will help lure foreign banks back to the region. Bank officials say a programme of this sort can be operated only in a competitive environment, in a competitive environment and where that does not exist foreign banks would be encouraged to participate. Chile's banking system is

highly competitive, including 37 banks, 22 of which are for eign. It is considered once again stable after near-collap during the country'e 1962-83 financial crisis. Despite lower margins because of competition, profits this year are expected to expand by 20 per cent, higher than the 15 per cent originally projected by the Superintendency of Banks and Financial Institutions

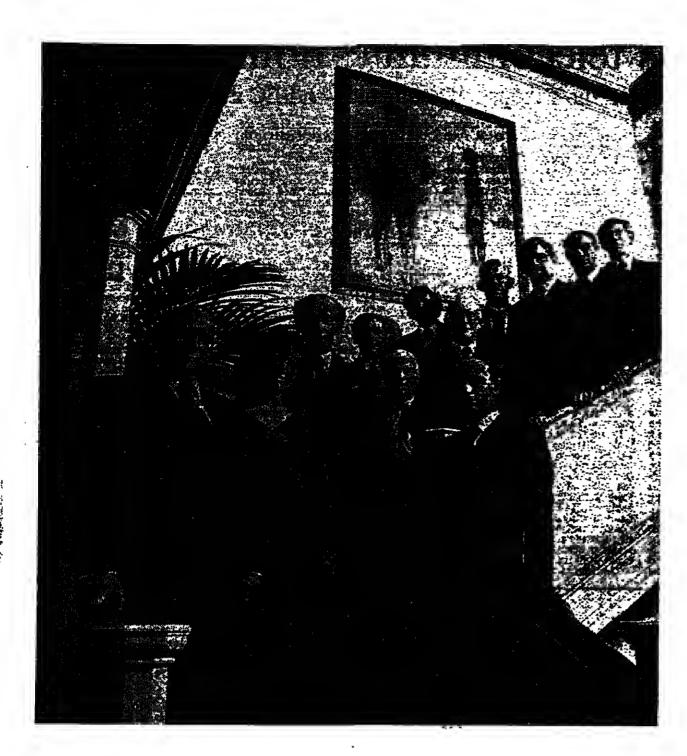
The banking industry's health is largely attributed to Chile's overall economic strength. The country is in its growth, averaging over 5.5 per cent. Gross domestic invest-ment is expected to rise this year to near 20 per cent from less than 10 per cent of GDP in 1983 and 17 per cent in 1987-88. The unique characteristic of

the project is a credit auction system, to be operated by the Corporacion de Fomento de la Produccion (Corio), the government holding company. Corio will make medium- and long-term financing available to commercial banks and leas-

Leasing companies, many of them begun by banks, have been included in the pro-gramme, because they tend to provide financing for small entrepreneurial enterprises that the more conservative par-ent institutions will not touch. The auctions will be held at least every three months, with a base price set, below which bids will not be accepted. The base will be slightly higher than the current prevailing

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WORLD	ECON	OMIC	INDICA	TORS

TRADE STATISTICS						
UK (Ebo) Japan (USSba)	exports imports balance exports imports balance	Oct '89 8.052 8.897 - 1.844 21.822 16.096 + 5.726	8.423 10.342 1.918	Aug '89 7.507 9.751 -2.244 22.896 16.565 +8.331	Oct 1 6.7 9.4 -2.7 22.9 13.5 +9.4	
US (Sho):	exports imports balance exports imports balance	Sept '89 31.136 39.079 -7.943 53.70 41.80 +11.90	Aug '89 30,562 40,662 -10,101 55,80 42,40 +13,40	July '89 30.488 38.709 -8.241 54.20 42.30 +11.90	27.5 36.7 -9.1 46.3 36. +10.3	
France (FFrbn)	exports imports	98.431 94.227	94.228 103.546 - 9.318	91.574 99,057 7.483	89.8 89.5 -0.2	



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## **UK NEWS**

# Investors to learn share allocation for water sale

By Maggie Urry

THE basis of the allocation of shares in the £5.24bn water privatisation issue will be announced this morning, with 20 different tables being produced to show the amounts of shares investors will receive. The allocation of shares will vary between the 10 water and sewage businesses of England and Wales, and will also be dif-

and Wales, and will also be different for customers and noncustomers, with customers'
applications being favoured.

It has been decided, however, there will not be a ballot
for any of the 10 water companies's shares, and that the minimum applications — for 100
shares — will be met in full.

As final counting of share
applications was being conclinded yesterday the total
number edged up to 2.7m,
worth £7bn, making the issue
the second most popular priva-

the second most popular priva-tisation of a public utility after

British Gas. The average investment by individuals was around \$2,600 on the 240p a share, fully-paid

Overall, the proportion of the issue available to the small investor was 5.6 times sub-

This triggered the "claw-back" which takes back shares allocated to overseas and institutional investors to distribute among private investors. After allowing for the clawback the

issue was 3 times subscribed. As a result of the clawback provisions, private investors will receive 47 per cent, institutional investors 39 per cent and oversess investors 14 per cent. With two of the compa-nies – Thames and Severn Trent - possible entrants to the FT-SE 100 share index.

Because institutions will receive fewer shares than they had hoped, institutional buying of the water shares is expected to be strong.

At the offices of Schroders, the transfer than a declarate. the merchant bank advising the government on the sale, 10 computers spent the weekend working out how applications above the minimum would be

scaled down for each water authority.

Demand for each of the 10 companies' shares exceeded. the three-times subscribed level, before clawback.

Northumbrian, the smallest of the 10 companies, saw the 65.5m abares it had on offer 17 times subscribed, making it the most popular of the 10 in that sense. Other companies received more applications than Northumbrian, but had more shares on offer.

The varying levels of demand for shares in each of the 10 companies means that

applicants will receive larger or smaller allocations. For example, those who applied for

shares in Northumbrian will receive fewer shares than those who applied for shares of North West and Severn Trent, which were the least well subscribed.

The consolation for those getting fewer shares because they picked the most aubscribed water companies is likely to be a higher share price when dealings start at 9

price when dealings tear at 9
am tomorrow.

On Friday indications were
that all the shares would trade
within the 120p to 130p range,
compared to the 100p initial
payment per share.
Full page advertisements
will be taken in national news-

papers showing the basis of allocation and the bankers plan to post confirmation to shareholders between Decem-ber 18 and 20.

ber 18 and 20.

Investors may feel nervous of dealing in shares before receiving their letters.

Schroders said yesterday that there had been a surprisingly low error rate in applications, despite the complexity of the issue. Between 1 % and 2 per cent of forms were wrongly completed, meaning that those applicants will receive no shares.

There were thousands of sus-pictous forms which Price Waterhouse, the firm of audi-tors, were checking for multi-ple applications.

years. Conversely, retailers in the South East, particularly in Inner London, will be very severely affected and balancing transitional arrangements have been proposed for them.

Where the rates bill is set to

where the rates fill is set to rise there will be a calling of 20 per cent increase plus inflation, per year for larger businesses and 15 per cent for smaller, "Small" is classified as a property with a rateable value of £15,000 in London and £10,000 elembers.

Businesses will learn only

around the end of the year

what their new liability will

be, when Government valuers will publish the results of en 18 mouth revaluation exercise.

**Environment Department** 

# engineers offered hours cut

By Michael Smith, Labour Correspondent

Union says

UNION leaders said int night that a third engineering company had offered a green or manual workers a two-hoar reduction in the working wesh in response to the national campaign for shorter hours.

Although they would not identify the company, it is understood that the offer has been made by GEN at he fan-hery plant in Tellord, contral lingual.

GEN is one of four companies which are being threat-ness which are being threat-ened with indefinite strikes in the new year unless they fol-

kelis-Royce and sancial tries in proposing deals which will eventually lead to 37-hour weeks for most manual workers at three plants.

About 2,000 Rolls-Royce employees in Hillington, Sectland, are expected to vote today in favour of eading a six-week strike and accepting a two-hour cut which would be implamented in phases by November 1991 along with moductivity improvements.

They would be joining colleagues at NEI-Parsons, a Tyneside subsidiary of Rolls-Royce, who approved a deal four weeks ago, and workers at Smiths Industries plant in Goetenham, who will return to work this marning after a four-week strike over writing hours.

The undons hours campaign strategy casumitee will meet today to consider the latest offer of a two-hour cut.

If Hill Jorden, president of the ARU engineering union, said he was cautionaly optimistic a deal could be reached.

If looks OK to me from what we have seen so far hat we do give these offers a thorough examination hefore approving them. he said.

If the offer is approved, and workers accept it, the minors would have achieved the promise of two hour cuts at fact factories at weeks at two small Scottish factories.

The deals of proposed agree: ments involve less than 19,000

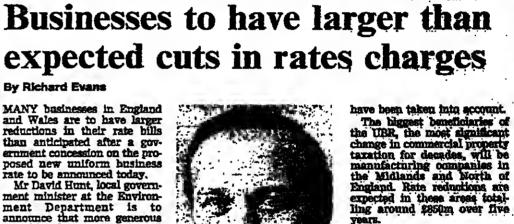
tish facturies.

The deals or proposed agreements involve less than 10,000 works, if wever, both smiths and Rolls-Reyce have indicated they are prepared to similar offers elsewhere.

Amountement of a further deal would put pressure on thish Aerospace to opt a more contains account in plants affected by strikes. The company has offered to open talks on a two hoar reduction but only if the strikes are lifted. strikes are lifted · Ambulance union officials

are meeting immurew to draw me their plan of action for the Christmas period.

They will discuss how best to handle their industrial action over a 6.5% pay offer, during Christmas when create traditionally busher due to are traditionally busier due to a rise in accidents.



MANY businesses in England and Wales are to have larger reductions in their rate bills than anticipated after a government concession on the pro-posed new uniform business rate to be announced today. Mr David Hunt, local govern-ment minister at the Environment Department is to announce that more generous transitional arrangements are to be permitted to ease the introduction of the UBR, universal husiness rate, which takes effect in England and Wales next April.

By Richard Evans

Rates, a property tax, have in the past been levied by local

authorities and have varied from region to region. The UBR is being introduced with the community charge, or poll tax, as part of the complete restructuring of the rating system. The business rate will be collected on a national basis and redistributed to local anthorities on a population

The idea is to allow businessmen and industrialists to plan ahead in the knowledge of what their rates will be, and to abandon the present capriclously variable levels of rates imposed by each local author-

In the first year of operation of the new system, those busi-



the limits on their rate reductions increased from 10 to 10% per cent in the case of large companies and from 15 to 15% per cent for small companies. Bni in the second year, 1991-92 the limits will rise to 13 per cent for big companies and 18 per cent for small, much greater than previously expec-ted. The intention is that similar generous limits will be pro-

after the effects of inflation

### ministers believe that 86 per cent of properties in England posed in later years of the transition period. In addition, the percentages and 70 per cent in Wales will qualify for the extended transltional period. Retail rates, Page 8

will be calculated in real terms

# BA to hold talks on performance related pay

By Flonz Thompson

THE management of British Airways, the UK's main flag carrier, is to meet union representatives later this week to try to hammer out a deal on the introduction of performance related pay.

British Airways wants to include 700 engineers and han-gar and workshop supervisory staff in its performance related pay scheme already in place for top management.

In the past two weeks the company has conducted a series of consultative meetings, addressing staff in groups of 50 to explain the job evaluation system which would be used to

judge performance.
The engineers and supervisors are concerned that under the new scheme, overtime and "individual authorisation" pay-ments would cease, according to Mr Paul Talbot, national officer for civil air transport of MSF, the general technical union which represents most of those affected.

The authorisation payments. where an individual is authorised to work on certain air-craft, can be worth up to £5,000 to £5,000 a year, he said. Mr Alistair Cumming, BA's

Director of Engineering, has said the company needs to

move to a system of individually tailored performance for technical jobe. The new system would allow much greater flexibility between different jobs.

The issue has hampered the

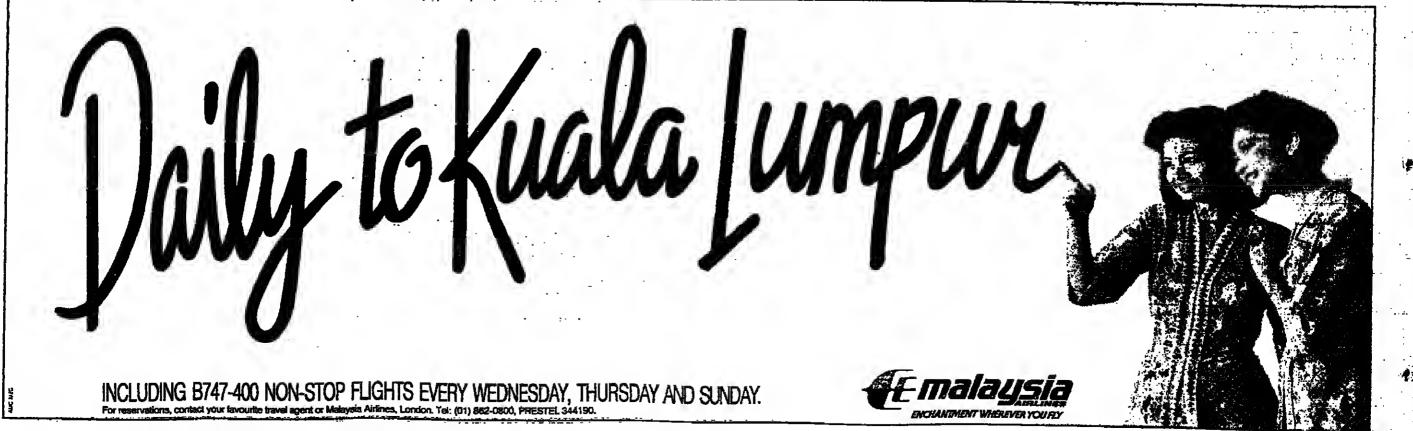
annual pay talks because management want approval for the introduction of performance related pay from January 1, 1991 before agreeing to imple ment a 9.5 per cent increase from November 1 this year. All the other hargaining units at BA have been offered a two-year deal in two stages: 9.5 per cent from November and from January 1981 a rise equivalent to the prevailing

But the engineers and supervisors have been offered just a one year 9.5 per cent deal then the introduction of performance related pay in 1991.

inflation rate plus 1.5 per cent.

Mr Talbot said he hoped that at the meeting this Thursday, management would have some proposals to address the engi-neers' and supervisors' con-cerns about the loss of overtime and authorisation payments.

He said he would be pressing management to release the 9.5 per cent offered from November 1.



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THE UK life assurance industry will probably be domi-nated by banks and building societies by the mid 1990s, pre-dicts Mr Chris Pountain, insur-ance analyst at Morgan Stanley International, the banking

group.

In his latest insurance survey, Mr Pountain says he believes that the life assurance industry is in the early stages of far-reaching and irreversible

He feels that the nature of the operators in the field will radically change over the next few years and many of the dominant players in the mid 1980s will be institutions, such as banks and building societies, which are not now regarded as life assurance pro-viders.

Mr Pountain argues that for life assurers to operate successfully in the next decade, they must have three attributes -adequate capital, expertise in life assurance and, most important, full control over distribution. He says that few existing life assurers have all those

The banks and building societies have full control over their distribution and adequate capital and they can acquire or buy in expertise. As such, Mr Pountain considers them well placed to become leading operators in the life assurance

The present life companies, while having the expertise, have neither adequate capital or full control over their distri-

bution channels.

Many mutual and some proprietary life companies rely on independent intermediaries for independent intermediaries for much of their business, a mar-keting channel over which they have no control.

In reviewing the strengths of the present leading life companies, Mr Pountain considers that only Prudential Corpora-tion, with its sales force of more than 9,000, fulfills the

three necessary requisites.

He is sceptical whether
Legal & General has full control over its tied agents — a
situation which will be tested. when the tied agreements come up for renewal over the

# MPs may seek evidence from Young on Rover deal

THE Government and British Aerospace will come under increasing pressure this week to disclose whether their final agreement on last year's privatisation of the Rover Group included secret inducements to BAe over and above the £38m

admitted so far.

The Commons Public Accounts Committee is expected to broaden its inquiry today by taking the unusual step of calling on a former min-ister - Lord Young, the Trade and Industry Secretary at the time of the sale - to give evidence on the affair.

The Trade and Industry

Select Committee is considerselect Committee is consular-ing opening a separate inquiry, while, on Wednesday, Mr Nicholas Ridley, the Trade and Industry Secretary, will answer questions on the affair tabled by Mr Gordon Brown, Labour's industry grotesman.

industry spokesman.

The inquiries are likely to focus on what the DTI and the company agreed during the final days of negotiations on the sale of the former state-owned car group last July. On

July 6, Professor Roland Smith, BAe's chairman, wrote to Lord Young laying down conditions for the deal.
Six days later, Lord Young

agreed to several of the condi-tions, which made up the bulk of the £38m. But in his response on the same day, Prof Smith insisted all his original conditions had to be met.

The following day, BAe threatened to pull out of the deal. Labour believes further concessions, including a 25m

concessions, including a 25m government payment to the European Space Agency which has already been disclosed, were agreed during negotiations on July 13. Those allowed the deal to be announced the day after.

The extra concessions Prof. Smith insisted upon included:

Changes in the formula Changes in the formula under which BAe would be penalised for selling Rover businesses within five years. Lord Young promised a private side letter to the agreement setting out the extent of RAe's flexibility on disposals.

• A reponse to BAe's mount-

ing concern about its relationship with the Government in both civil and military fields. A leaked BAe strategy document suggests this centred on the payment of launch aid for the Airbus 330/340 European civil aircraft programme. Labour believes it may have involved discussions about the funding of the troubled £15bn Al Yama-mah arms deal with Saudi

Attention will also focus on whether the DTI influenced the Inland Revenue over BAe's tax benefits from the deal. The department dismissed an allegation Mr Brown made at the weekend that the Government knew last July these amounted to film more than the £25m estimated by the European Commission when it sanctioned the deal.

The NAO estimated the tax benefits were worth between £35 and £40m, although that did not include an estimate of the tax benefits from Rover's capital losses, which the DTI estimated at the time of the

### SDA to take share of land sale gains By Hazel Duffy

THE Scottish Development Agency has told prospective buyers of its industrial prop-erty portfolio that it will share

in any increase in land values from planning gains. The agency, the largest industrial landlord in Scotland, is selling most of its industrial holdings in two lots. Proposals to wind up the Scottish new towns and sell off their property holdings will complete the process.

The value of the SDA prop-

erties on offer is more than £100m. The agency makes it clear in its recently published brochure that companies' plans for the development and enhancement of the estates will be taken into account in drawing up the shortlist of

There might be the opportunity for buyers to make windfall profits on land designated for industrial use which would be enhanced by a change in planning designation.
The purchaser will have to pay the agency 50 per cent of the increase for np to five

The Jaguar XJ220: new limited edition model has similar design

# New sports model for Jaguar

A 2250,000 Jaguar car based on the XJ220 design, previewed unexpectedly at the 1988 UK Motor Show, will soon go into limited production. The project will be launched on Thursday, will be launched on Thursday, in the immediate wake of final takeover offer for Jaguar. Jaguar executives insist that

in the decision to go ahead with the model. Faith in the commercial viability of the project was the sole motiva-

project was the sole motiva-tion, they said.

In spite of an ecstatic public reception for the XJ220 concept at the 1988 show, Sir John Egan, Jaguar chairman, said at the time that the company would have to be satisfied that the project could make money before committing it to produc-

it is expected that the cars, of which at most a few hundred are likely to be made, will dred are likely to be made, will be produced at the Bicester, Oxfordshire, premises of JaguarSport, a 50-50 joint venture company between Jaguar and Mr Tom Walkinshaw's TWR Group. They will use detuned versions of Jaguar's racing engines mated to purpose-developed, UK-built transmissions.

In market terms, the 200mph-plus machines are sim-

200mph-plus machines are similar in concept to limited-production "supercars" such as Ferrari's F40 and Porsche's 959, which already command buge price premiums among collec-

tors.

The Le Mans 24-hour race has been banned by the Fédér-

Automobile (FISA), motor sport's governing body. FISA announced at the weekend that the Le Mans track licence was being withdrawn for reasons of safety involving the length of a straight section. Race organisers claim that the issue of track safety had been used by FISA as a weapon

in negotiations over who should benefit financially from the race. other leading vehicle manufac-turers, dismayed at the pros-pect of losing an ovent they regard as worth more in pres-

tige terms than most other

races combined, are now likely to press for o compromise that

# would leave Le Mans in the motor racing calendar. Fine balances where motorist meets rising price of petrol

Steven Butler looks at the arguments on both sides that the MMC will have considered in its forthcoming report

HE FINAL verdict on Monopolies and Mergers Commisolies and Mergers Commission report on the petrol retailing industry – whether it will be a politically embarrassing damp sould or initiate a revolution – will have to wait until the document is

The report is not due to be submit-ted to the Government until December 20, but early indications are that it might disappoint the oil compa-nies. They have defended present

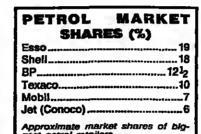
practices as competitive and in the consumer's interest. Two aspects of current practice have aroused the MMC's particular interest. They are the tight control over service station operation that present licence agreements provide and the practice of supporting prices selectively at individual stations to

meet the competition. Although some leading retailers, such as Texaco, operate mainly under landlord-tenant arrangement the biggest operators in the market - Esso, Shell and BP - have turned mainly to licence agreement for sites

they own. Unlike landlord-tenant contracts, licence arrangements give little security to station operators, whose contracts come np for renewal periodically, and allow oil companies tight control of nearly all aspects of station operation.

Oil companies believe such arrangements have allowed them to increase petrol volume throughput and site profits, and to invest in confidence. Esso, the largest retailer, with 19 per cant of the market, bought many of its former tenants out of their contracts in the 1980s to put them on licence agreements. It believes that although many tenants may be excellent operators, performance is uneven.

Removing tenants from sites can be a lengthy and costly affair, and industry executives say the procedure for making changes in a station's operation can be extremely cumbersome. Oil companies say investment in stations would fall if they were to lose control over the they were to lose control over the sites. They suggest that standards of service would decline, while prices



might rise. They also add that - depending on the specifics of the recommended changes – any move to a landlord-tenant relationship might

prove cosmetic.
Ranged against those arguments are complaints by some licensees that oil companies restrict their ability to respond to local market conditions and to maximise profits -restrictions that directly affect the operator's income. The oil companies make the restrictions partly because they believe that uniformity of operations from site to site is an

important marketing tool in increas-Licensees also argue that the lack of security discourages operator investment in the site and is unfair because it leaves them no equity in the site - after many years' effort in improving its performance.

Arguments against the licensee arrangements, however, go beyond the fairness of the relationship with the oil companies. The Petrol Retailing Association has suggested that oil industry control over the sites including the price support arrangements that allow oil companies to set prices at individual stations throughout the country – are anti-competitive and against the interest of consumers.

Under current arrangements, oil companies set maximum prices at station sites and leave operators free to fix pump prices below those levels. However, the tightness of margins gives the retailer relatively lit-tile room for manoeuvre, leading to charges of "de facto resale price maintenance." Actual resale price however, and it is possible that a

maintenance would be illegal. The practice of giving selective wholesale price reductions to some dealers - to meet the competition and stay in business - magnifies the oil companies' control. They agree that although that is an unfortunate arrangement, because the decision whether to compete on price cannot be taken by the station operator, they can see no practical

Partly because they are forced to take tough decisions on price sup-port, retail operations managers are mystified by charges that the indus-try is not competitive. It appears, and is, a tough husiness on the

alternative - other than to shut sta-

The oil companies say that restric-tions on pricing flexibility might spur a rapid rationalisation of the industry and lead to the closure of a large number of stations. That could produce a more efficient industry, with higher volumes but fewer sites. The transition would be painful,

reuncion in service stations would eventually push prices up by reduc-ing the number of local competitors. The extent of the cutback would depend on whether oil companies were required to fix a uniform price nationally, by terminal, or by region. The counter-argument is that selective price support keeps prices selective price support keeps prices high, because the knowledge that an oil company can meet a lower price discourages competition. The PRA argues further that more security and independence for station opera-tors and the removal of selective

price support would cut many of the integrated oil companies' marketing advantages.

The PRA says that could lead to competing retail chains based on different marketing concepts, which would create more consumer choice.
The key question facing the commission — political considerations apart — must be whether it is worth tampering with the structure of a finely balanced industry if there is

sumer interest is being harmed.

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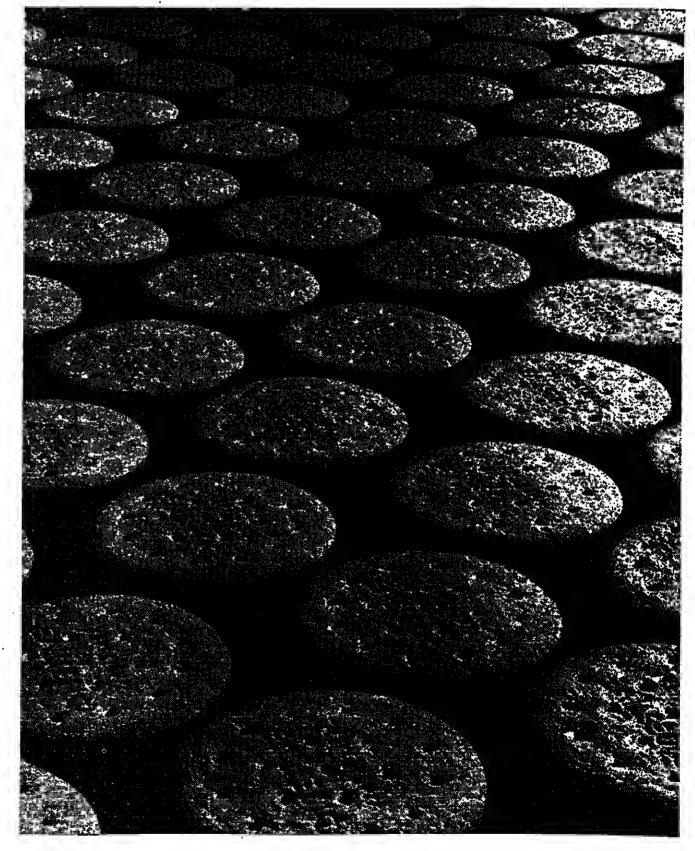
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# Many retailers face big rises in council rates

By Maggle Urry

THE RETAILING sector will be one of the hardest hit by the change in the rating system, with many shops facing large increases. The increases are seen as another blow to retailers already battling with poor

beta and rising costs.

Details of the rises retailers will face in April, after the move to a uniform business rate, are beginning to emerge.

Estimates by Debenham Tewson & Chinnocks, chartered surveyors, show shops' rates rising by over 300 per cent in some areas.

The increase will not all come at once, though, as the Government has introduced a phasing-in period, when rate increases will he limited to 20 per cent plus inflation each year. However, new shops will go straight to the new

Rates in the fashionable Knightsbridge shopping street in London, where the famous Harrods department store is located, will rise by as much as 360 per cent. In Oxford Street, another of London's main shopping areas, rates are liable to rise by around 180 per cent, the firm believes.
Smaller increases will be

seen in other areas. In Bristol and Canterbury, rises of 200 per cent are expected, while in Nottingham and Exeter about 100 per cent increases are esti-

In Manchester and Liverpool, where rates are higher than in many southern cen-tres, rates will fall by about 10 per cent in each city.

Debenham Tewson & Chin-

Debenham Tewson & Chinnocks suggest that a shop in
Knightsbridge might currently
pay rent of £350 a sq ft, and
rates of £21.15 a sq ft. The rise
in rates of 360 per cent would
push up the combined rent and
rates payment by a fifth.
A shop in Manchester might
pay rent of £150 a sq ft and
rates of £60.10p a sq ft. Here a
10 per cent fall in rates would
mean a slight fall in the com-

mean a slight fall in the com-bined cost.

# Minford tells Major to avert an 'awful 1990'

By Simon Holberton, Economics Staff

according to the latest quarterly economic forecast by Liverpool University. It says Mr John Major, the Chancellor, should consider cutting inter-est rates to 14 per cent early in

the New Year.

Professor Patrick Minford,
Professor of Applied Economics at the university, says Mr
Major should reject advice on
the need for a tight Budget next spring and reduce the basic rate of income tax by 1p. "If something is not done very soon to ease monetary conditions wa risk an awful 1990," he says. Prof Minford says Mr Major

should be guided only by domestic indicators of activity. The exchange rate has become "political," reflecting overseas views of the Government's pop-ularity, and is a poor indicator giving

By Alan Pike Social, Social Affairs Correspondent

Campaign

promotes

payroll

THE Government is to seek the help of employers' organi-sations in a campaign to encourage greater support for charity through the payroll

Payroll giving, which was introduced in the 1987 Budget, introduced in the 1987 Budget, offers tax benefits to employees who make regular contributions to charity through deductions from their salaries. 
Ministers hoped it would have a significant effect in persuading large numbers of people who have benefited from real income growth in recent years to become more generous in

to become more generous in their support for charity. However, Mr John Patten, the Home Office Minister who is chairing a government review of state funding for the voluntary sector, admits that the scheme has not taken off as fast as it should hava

There are 3,700 payroll giv-ing schemes with 110,000 members, but in the last finan-cial year they raised less than £4m for charity. The total, although growing, is unlikely to exceed £7m this financial year. That is a minute fraction of the annual income raised by charities from voluntary dona-

tions, estimated at somewhere between £3bn and £4.5bn.

Mr Patten said the money being raised by payroll giving was a "drop in the ocean" con-sidering that it was a relatively painless method of mak-ing charitable contributions which offered substantial tax

He intends to seek meetings with the Confederation of British Industry, Institute of Directors and Chambers of Commerce to explore ways of

boosting the scheme.

The Government is giving financial support to voluntary-sector efforts to publicise the scheme and a payroll giving association, with Lord Whitelaw as its president, has been set up to promote it.

"If everyone in the country
who is at work gave £1 per
week through the payroil giving scheme it would transform
the face of charitable giving in
this country," Mr Patten said.
Charities Survey, Pages 23-27

# Hurd keeps Prime Minister out of a fight

Strasbourg warmed to a more co-operative Mrs Thatcher, Michael Cassell writes

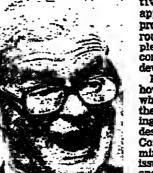
back seat at Strasbourg, Mr Douglas
Hurd, cozing fulfilment in his
new role as Foreign Secretary,
may turn out to have played a may turn out to have played a highly significant role in shaping his prime minister's approach to a summit that could have ended in more tears but which finished with friendly regrets.

Mrs Thatcher flew into Alsace, having already lost the

Alsace, having already lost the argument on the social charter and on progress towards eco-nomic and monetary union. Only on Europe's response to recent, historic events in eastern Europe did she appear broadly in step, although still supremely cautions. Even so, there was a mark-

edly more constructive tone than previously on the plan for a European development bank to help lubricate democratic change in the east. And while Mrs Thatcher gave a fairly positive endorsement of the anti-inflationary benefits of the exchange rate mechanism of the European Monetary Sys-tem, tied to the sheet anchor of the D-Mark, she implied they were now threatened by plans for economic and monetary

Although the Prime Minister spoke of leading the way in community integration, to her the process apparently reaches its conclusion in 1992 with



Donglas Hurd: Tories united on main EC issues

clearly implied finality, the "successful completion of the common market."

This time, though, the Prime Minister's strategy and language - if not her arguments and objections - had clearly changed. As one member of the French delegation remarked: For once, she left her handbag

The change of tack drew a different response. President Mitterrand expressed regret at her continuing reservations but hoped that she would eventually find herself in accord with the others. Chancellor Helmut Kohl thanked the Prime Minister for her "posi-

approach to the Strasbourg proceedings. There was even a round of applause when she pledged that Britain would continue to play a full role in a

developing Europe.

Early on in the summit, however, it had been Mr Hurd who had briefly escaped from the ring of security surround-ing the Palais de Musique et des Congrès to claim that the Conservative Party at Westminster was almost at one over issues like the social charter and monetary union.

and monetary union.

Ninety-five per cent of MPs,
he suggested, "camped on common terrain" when it came to
such matters. In a clear measage which Mrs Thatcher
appeared to have heeded, Mr
Hurd said the Government now needed to prove more persussive in stating its case.

The Prime Minister, he insisted earlier, had not gone to France looking for a light, a strategy that he may well have

with one eye on her Tory critics at home, who will tomorrow have their first chance to express in the Commons their reaction to Stras-bourg. Mrs Thatcher accepted with good grace the inevitabil-ity of the decisions taken, adopting what amounted to an "include me out" approach. Rejecting the notion that she had, perhaps, become more

conciliatory, the Prime Minis-ter pledged a "constructive and relevant" contribution to the

relevant" contribution to the unfolding challenges shead.

Those decisions with which she could not agree were, however, portrayed as symbolic gestures of no immediate consequence, consigned to a time-less, bureaucratic vacuum,

from which common sense, and sheer practicality would ultimately emerge.

With the starting date set for an inter-governmental conference on sconomic and monetary union, the Prime Minister project it a compatition of the invoked the opposition of the Commons in rejecting further stages of Delors, while she hopes eventually to recruit to the cause others with deep anxieties, such as the West

She claimed, too, that President Mitterrand himself envisaged a deliberative process lasting "years and years," although on Saturday he expressed the hope that work could be completed by the end

of 1992.
The British camp was snatious to emphasise that Mr Delors' own visws had "moved on" and that the UK's evolutionary alternative would itself be the subject of continuing development. For Mrs Thatcher, the target remains economic and monetary "cooperation" and not migon. eration" and not union. The West German sugges-

tion that the conference might ambrace wider lander, such as increased powers for the Surppean Parliament, Casse 2s no pean parliament to a prime minister who is despit suspicious of a Strasbourg talking-shop.

Although she piedged full participation in an "untimely and unnecessary" exercise, her attitude towards any plan which threatens Westminster's own powers will prove so less strident than that towards a single currency or a capital bank.

On the social charter, where

On the social charter, where On the social charter, where room for compromise has run out, in spite of the most recent efforts by the French to explore changes making the plan more acceptable to the UK, Mrs Thatcher said "only 11" member states had endorsed the plan, managing to make it sound like a close comest. But quoting Jacques

to make it sound like a chose contest. But quoting Jacques Delors, president of the EC Commission, she said the outcome was "not a tragedy."

The charter's individual proposals will; Mrs Thatcher emphasised, be brought forward and treated on their may not have been far from her mind, there was no talk of vetos from an uncharacteristically low-key leader who, in the words of Felipe González, the Spanish premier, "wanted to put on the hrake but did not want to get all the train," not want to get all the train,"

THE BRITISH economy is already close to recession, of monetary conditions. Using higher interest rates to defend sterling would only worsen the Government's popularity. That, in turn, would further weaken sterling, Prof Minford

• Early full membership of the European Monetary Sys-tem would harm Britain's eco-nomic prospects and should be delayed for as long as possible, according to Mr Peter Spencer, UK economist at Shearson Lehman Hntton, the US securities house. Mr Spencer warns that if the

Government takes Britain into the exchange rate mechanism of the EMS at around the pound's current value against the D-Mark (DM2.80) it would risk re-igniting inflation in the housing market.

He proposes capital gains tax on owner-occupied housing to dampen the housing market.

FT SATELLITE MONITOR

# Installation of dishes slowed markedly in November

By Raymond Snoddy

INSTALLATION of satellite television dishes slowed down markedly in November, according to the latest FT Satellite

While the number of homes estimated to have their own dishes approached 400,000, only about 35,000 actually installed equipment last month. That compares with 122,000 in October and 72,000 in September.

Continental Research, which produces the monthly FT Satellite Monitor for the Financial Times, has retreated from its forecast that there would be 600,000 dishes installed by the end of the year. end of the year.

Continental now believes that its earlier forecast made in June that the year-end figure would be 468,000 was more accurate. It believes that unless there is a large surge of interest this month the total for 1989 is unlikely to exceed

Mr John Clemens, chairman of Continental, said that heavy advertising by Mr Rupert Mur-doch's Sky Television in Sep-tember and October may have brought forward installations that might otherwise have been delayed until later in the

Meanwhile, British Satellite Broadcasting - Sky's satellite rival in which Pearson, publisher of the Financial Times, has a stake and which plans to launch in the spring - adver-tised little in September and October but spent heavily last

"This level of competitive advertising from BSB in November will, alongside the early pull-through effect of the September/October Sky adver-tising, have contributed to slowing down installation," Mr Clemens said.

The fall in the rate of instal-lation in November has been parallelied by a sharp decline in the numbers who say they will definitely or probably instal satellite television. Only 3.7 per cent of the population, in 795,000 homes, now say they will definitely instal satellite television compared with 4.2 per cent or 902,000 homes in October. The drop is even sharper among those who say they will probably instal. Eleven per cent, or 236m, now say they will probably instal compared with 15.9 per cent or

That gives a total potential market of 3.5m homes, compared with 4.66m a month ago, Continental believes the latest figures show the market is

est agures show the market is volatile, particularly among those who are just probably intending to instal."

The FT Satellite Monitor is based on telephone interviews with 4,070 people aged 15 plus, it records the number of satellite dishes. lite dishes found, whether rented, bought or obtained directly from Sky Television.... In the November survey, 67

dishes were identified, both large dishes and the new 60-cm units to receive channels from Sky and MTV, the venture involving W H Smith and Mr Bobert Maxwell. The numbers are then scaled up to cover. Britain's 21-m homes, with a margin of error of plus or minus 30,000.

In November there was a particularly share drop smong those who form he main market potential — shifts under 45 — from 29.5 per cent to 21.5 per dishes were identified, both

- from 29.5 per cent to 21.8 per

Apart from the effect of advertising campaigns, Continental believes this group is being influenced by the growing cost of borrowing and

member one-vote principle at

Labour's 1985 conference without the permission of his constituency party. He survived by proving that his opponents had broken the party's rules.

With the party suspended his reselection was confirmed by

barrister who represents St. Helens South, benefited simi-larly in 1997 but has just been

deselected, though alleged irregularities in the ballot may cause a re-run. His opponent is

Mr Brian Green, a former

council leader who once tried to flood the St Helens Trust, Britain's first enterprise agency, with trade unionist

the national executive. Mr Gerry Bermingham, a

# Field support in Labour civil war Ian Hamilton Fazey on the Wirral's fight over the union block vote

N THE pavement out side the Birkenhead MR FIELD is expected to see Mr Nell Kismock, the Labour ter was Labour leader. Mr leader today before announcing whether he latends to force a leader, today before amouncing whether he latends to force a by-election, writes Michael Cassell, Political Correspondent. Mr Davies, victor in the selection contest, yesterday offered to repeat the ballot, but Mr Field rejected the idea. The MP refused to discuss his next step, saying only that he was looking forward to meeting Mr Kinnock. It is understood that Mr Field intends to tell the party leader of how he believes his local party has been infiftrated by extremists. If Mr Field goes ahead with his threat to force a contest against an official Labour candidate, he faces expulsion from the party. J offices of the Transport and General Workers Union, Mr Frank Field was shivering, coatless in the raw December

He had just been deselected as Labour candidate for the town at the next general elec-tion. "I can't tell you what good heart I am in," he said. A young bystander, hunched into his anorak, shouted earnestly: "He's got the support of the real Labour Party. That's

all he needs." In spite of his endorsement by 165 votes to 113 - nearly 60 per cent of the Birkenhead par-ty's individual members — he was defeated by the union block vote, 35-15. The TGWU, which has been affiliating branches to the Birkenhead constituency party in recent months on the ground that they have members who live there, accounted for 17 of the union votes. The contest was won by Mr Paul Davies, a TGWU official, who refuses to say where he stands on the Left.

Mr Field believes the result will sound the death knell of the trade union block vote in Labour elections. He believes the system corrupt and unfair. In Mr Field's case, the unions' 40 per cent share of the electoral college meant that every trade union delegate's vote was worth 0.78 per cent of the col-lege while each individual's was worth 0.22 per cent. The question is whether he will resign and fight a by-election to force the issue into the open. "I have a very good sce-nario in mind," he said. He would not be drawn on

whether that included a by election in which Mr Neil Kinnock, the Labour leader, and his supporters would impose Mr Field as the official candidate. An investigation of the credentials of some voters would have to take place first, although it seems likely that Mr Davies won within the

Mr Davies won within the rules.

The lines now seem drawn for the next phase of Labour's civil war. Mr Field sees it as about two different forms of democracy: one-person, one-vote, as favoured by Mr Kinnock warsus the trade unions! nock, versus the trade unions' traditional branch and delegate structure, which gives dispro-portionate power to union activists who attend meetings. The evolving social structure on the Wirial has seen Labour with increasingly fewer middeclass supporters in the cen-tral urban areas. There is a deep anti-intellectual streak

running through its member-ship. Mr Field, one of Labour's

best thinkers, was in constant peril in spite of improving his vote from 20,803 to 27,883

lar sectors are 5 per cent or

between 1979 and 1987. The ground is fertile for the hard Left — nearly one in five men, mostly unskilled, are out of work while unemployment rates in skilled and white-col-

less, worsening the gap between haves and have nots, between suburbia and the urban centre. Many favour direct action, such as the stand of 47 Liverpool councillors in 1983-87, which led to their disqualifica-tion from office, or the illegal

mently.
The hard Left has sought to replace all Merseyside Labour MPs who do not fit its stereotype or who do not support the ascendancy of trade unions in dictating policy.

An attempt was made to unseat Mr John Evans (St Helens North), who was Parliamentary Private Secretary to Mr Michael Foot when the lat-

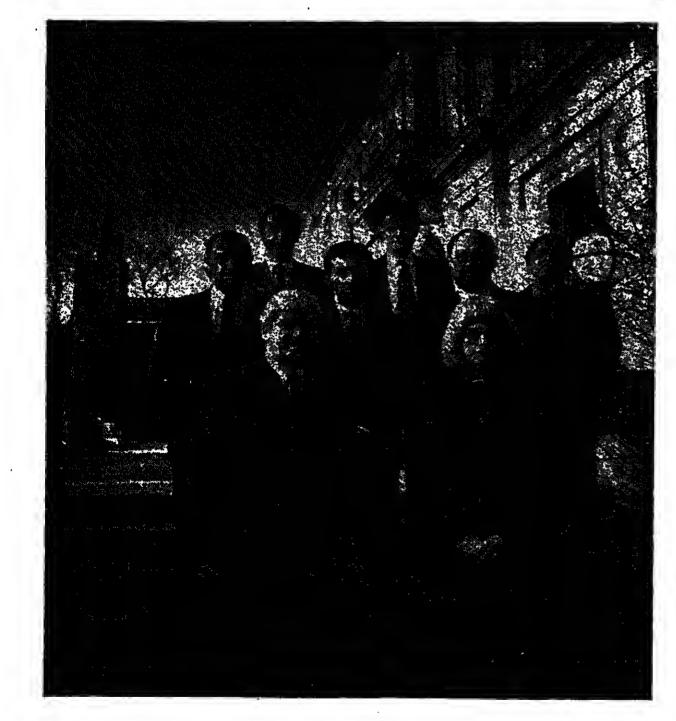
governors to make it more "accountable." The chairman Mr Antony Pilkington, refused; dng in and won.

Mr George Rowarth,
imposed on Knowsley North by imposed on Knowsley North by Mr Kinnock and his supporters in a bitter fight against Trots-kyist infiltrators in a 1986 by-election, has just survived reselection, having ensured that his local party was reconstituted mainly with mainstream members. It is against that hackground occupation of the Cammell Laird shipyard in 1985. Mr Field opposed both vehe-

it is against that background It is against that background that Mr Field is threatening to upset Labour's carefully stacked and presented national applecart. Mr Davies yesterday offered a re-run under old rules, when delegates did the choosing, but Mr Field knows his strength to among the party rank-and-file and is unlikely to accept.

# Westpac

ARE PLEASED TO ANNOUNCE THAT AS FROM 11 DECEMBER 1989 THE NEW ADDRESS OF THEIR EUROPEAN HEADQUARTERS WILL BE:-WESTPAC HOUSE, 75 KING WILLIAM STREET. LONDON EC4N 7HA TELEPHONE: 01-867 7000 AND 01-621 7000 TELEX: 888641, FAX 01-623 9428



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By Kevin Brown, Transport Correspondent

THE GOVERNMENT is expected to amounce a big cut in British Rail's subsidy this week – almost a year after 35 people died in the Clapham rail

BR faces a bill of hundreds of millions of pounds for safety improvements recommended by the public inquiry into the disaster, in which three rush-hour trains collided on Decem-

ber 12.
Sir Anthony Hidden, the inquiry chairman, made 93 recommendations for safety improvements. They included new signalling, cab radios and phasing out old trains.

Mr Cecil Parkinson, the Transport Secretary, has given BR until February to produce fully costed plans for imple-menting the inquiry's recommendations. Mr Parkinson has accepted the recommendations and undertaken that they will be implemented. However, he has not indicated how they will

Meanwhile, publication of the Government's new three-year objectives for BR has been delayed, as has publication of the corporation's own five-year Both are likely to appear later this week, when the Clapham anniversary is out of the way. They will disclose a cut of up to 25 per cent over three years in BR's main subsidy, known as the Public Sector Operating (PSO) grant.

That follows a reduction of 51 per cent in real terms in the PSO grant over the last five years and is consistent with the Government's policy of reducing subsidies to the minimum level possible.

InterCity, the flagehip express service, has received no subsidies since last year, and BR executives have long expected Network SouthEast, the London commuter service,

to lose its subsidies by 1992. Mr John Prescott, shadow Transport Secretary, said yesterday that passengers would pay for the cuts in subsidy through higher fares "and an even poorer service."

Mr Prescott said the Govern-ment's own road assessment studies for London, which may also be published this week, assumed an increase in-rail and Tube feres in the capital of more than 40 per cent over the next 10 to 15 years.

"London will be the only capital city in Europe where rail services are expected to



John Prescott: passengers will pay for cuts in subsidy

super jam, when London is in daily danger of grinding to a standatill, it makes no sense to judge the success of rail ser-vices in such narrow financial

# Mortgage agency tried to use methods of Homes Assured

By Richard Donkin

A COMPANY connected with Homes Assured, which col-lapsed with debts of £9.6m in August after setting up a mortgage service for council ten-ants who wanted to buy their houses, was trying to establish a similar business shortly before Homes Assured folded

Homes Assured folded.
Homes Assured, which is being investigated by the Serious Fraud Office, sought to arrange mortgages for tenants and to make its income from commissions on endowment commissions on endowment policies. It sold policies arranged et first with Legal and General and later with Criterion Assurance. The business crashed when 15,000 of 20,000 tenants signed up by Homes Assured cancelled policies.

City Hall Mortgages, with an office in Hord, Rest London, has attempted to continue a similar business using an

similar business using an agency link with Commercial Union. The company was set up in April by Mr Anthony Dobson, and Mr Martin Dobson, both sons of Mr Tony Dobson, the man who joined the

Homes Assured board on the same day as Sir Edward du Cann, the former Conservative minister. Mr Tony Dobson has been identified by former Homes Assured directors and staff as the driving force behind the company.

Commercial Union says it has terminated the link with City Hall Mortgages and had taken no business from the

City Hall Mortgages negoti-ated an arrangement with Hackney Borough Council in August to be supplied with the names, addresses and telephone numbers of more than 200 tenants who wanted to buy 200 tenants who wanted to buy their homes. The council said this week it stopped supplying the names three or four weeks ago because the company "did not deliver the quality of ser-vice we require."

A document showing a pro-

posed group structure for Park-side Holdings, the main share-holder in Homes Assured, indicates that a number, of companies had been formed or

were to be formed to carry out similar businesses in what was to become a property and financial services empire.

County Hall Mortgages, on of the companies featured, had a tie-up with Commercial Union to sell life polices. Commercial Union confirmed that County Hall Mortgages had been appointed representatives for a three-month period.

for a three-month period.

During that time it had brought in just 13 life assurance proposals to Commercial Union, which is contacting clients to see if they want to continue. Commercial Union said it recently ended its arrangement with County Hall Mortnages. gages.

Board members of County
Hall Mortgages included Mr
Anthony Dobson and, briefly.

Sir Edward du Cann, who was also a director of Homes Assured, from which he resigned on August 16. Sir Edward was appointed a director of County Hall Mort-gages on August 8 and resigned on September 6.

# Truck makers braced for gloomy 1990 as sales drop

By Kevin Done, Motor industry Correspondent

UK COMMERCIAL vehicle sales plunged in November for the second mouth in succes-sion. The industry is bracing itself for a further steep fall in 1990 as the economic squeeze tightens, restricting invest-ment and retail activity.

Overall new commercial vehicle sales at 27,067 were 16.8 per cent lower in November than a year earlier. In October, commercial vehicle registra-tions fell by 12.02 per cent. The used-vehicle market is also depressed and truck makers have begun to cut output lev-

Sales for the first 11 months, at 353,273, were 5.1 per cent higher than a year ago and reg-istrations for the full year are still certain to reach a record level for the third year in suc-

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Commercial vehicle sales totalled 356,783 last year.
The truck market (above 3.5 tomes gross vehicle weight) in particular is notoriously cyclical. Leading truck makers are forecasting a fall of 12-15 per cent in UK truck sales (above

3.5 tonnes) next year after a

Mr Hans Tauscher, msuag-ing director of Mercedes-Benz (United Kingdom), said: "Over the last few weeks we have seen a change of mood caused by the apparent inability of the Government to keep inflation under control with punishing interest rates, coupled with the news that major sectors of the retail industry have started to

Commercial vehicle markets had been "drasticasily reduced" in October and November, and the trend was expected to continue "well into 1990", he said.

Mercedes-Benz, of West Germany, controls more than 15 per cent of the UK truck market. The company forecasts a fall

in truck sales by around 12 per cent next year to some 62,000. Truck sales this year are expected to total about 70,000, compared with 67,918 in 1988.
Leyland DAF, the UK subsidiary of DAF of the Netherlands, which is in second place in the market behind iveco

steep drop in the final quarter Ford, predicts only that truck of 1989. Ford will exceed 60,000 next

In November, truck sales were 19.8 per cent lower than a year earlier, while sales of light vans and pick-ups fell by 15.5 per cent, and sales of medium and heavy vans, the higgest single sector, dropped by 178 per cent, according to figures from the Society of Motor Manufacturers and

The medium van sector which is dominated by the Ford Transit, has outperformed other sectors, with an increase in sales for the first 11 months of seven per cent.
Ford has made further

impressive gains, capturing a market share of 47.6 per cent for the first 11 months compared with 41.7 per cent a year ago. The company's performance was helped by a 22 per cent jump in sales volume. Its gains have been made chiefly at the expense of Nis san of Japan, Leyland DAF and the Peugeot group, which includes the Citroen and Tal-

bot marques.

Nissan imports vans from Japan and from its Spanish assembly plant. Its medium-van sales have plunged by 24 per cent, while second-placed Leyland DAF has suffered a drop of 6.5 per cent in sales volume. Pengeot sales in the sector have fallen by 7.7 per

In the truck sector the market leaders, Iveco Ford and UK truck maker.

ground, as has the much smaller Renault Truck Indus-

Leyland DAF, have both lost

The main gains have have been achieved by Mercedes-Benz and the Swedish truck makers Scamia and Volvo, as well as in the heavy truck market by ERF, the last remaining independent publicly quoted III.

JANUARY-NOVEMBER 1989							
	(Units)	Yolume Change (%)	Share (%) Jan-Nov 88	Share (%)			
Total Market	353,273	+5.10	100.00	100,00			
timports	139,945	+4.15	39.51	39.97			
Small vane (up to 1.6	tonnes)						
Total	113,306	+2.55	100,00	100.00			
Imports	31,243	-1.85	27.55	28.73			
Ford	38,472	+5.92	32.16	31,14			
GM (Badford)	32,371	+6.07	28.55	27.09			
Rover	18,919	+3.47	16.68	18.54			
Paugeot (Incl. Citroen)	8,128	-8.91	7.17	8.07			
Renault	5,489	-9.84	4.84	5.51			
Medium Vens (1.81-	3.5 tonnes)						
Total	151,892	+7.00	100.00	100.00			
imports	68,890	+6.24	45.35	45.88			
Ford	72,289	+ 22.02	47.59	41.74			
DAF (Leyland DAF)	14,987	-6.50	9.85	11.28			
Rensult	12.074	+5.82	7.95	8.05			
Nissan	8311	-24.13	5.47	7.72			
Peugeot (Incl. Citroen & Telbot)	8,283	-7.88	5.45	6.32			
Mercedee-Benz	8.984	+13.18	5.91	5.59			
GM (Bedford)	8,218	+7,24	5.41	5.40			
Tracks (over 3.5 tonns	15)						
Total	86,268	+2.54	100.00	100.00			
moorts	27,500	+5.46	41.50	40.78			
vaco Ford	14,598	-4.60	22.18	24.10			
DAF (Leyland DAF)	13,950	-3.12	21.05	22.52			
Mercadas-Banz	10.383	+8.74	15.67	15.21			
Volvo	6.845	+5.31	10.33	10.17			
	4.149	+17.39	6.26	5.52			
Renault (RYT)	3,927	-9.35	5.53	6.78			
Of which Henry Truck	(over 15 ton	nes)					
Total	37,406	+6.21	106,08 .	199,00			
DAF-(Leyland DAF)	6.023	8.47	21.40	24.30			
folvo	6,292	+8.00	76.78	16.82			
Mercedee-Benz	4,341	+277	11,58	11.97			
RF	4,149	+17.30	11.08	10.00			
veco Ford	3,892	+12.10	10.38	9.84			
Scenia	3,532	+17.85	9.42	8.50			

5.023 6,292 4,341 4,149 3,892 3,532 21.40 16.78 11.58 11.05 10.38 9.42

# MOTICE TO HOLDERS OF

### **Lorimar Telepictures Corporation**

6% Convertible Senior Subordinated Debentures

. All till Could the section of the transfer of the section of the
"Loriera" and a majority-owned subsidiary of Time Warner Inc., formerly remed Time Incorporated
"Time Warner"), has entered into as Agreement and Plan of Margar, dated as of March 3, 1988, as amended
and restored as of May 19, 1989, as further amended and restored as of June 16, 1988, as further amended
and resided as of November 16, 1995 (se the same may be further emended from time to time, the "Merger
THE COMMEND OF CO. LANSINGS. LOT COOK FOR THE STREET, SAN AS AS ASSESSMENT LICENSE OF THE WAY AND WAY ASSESSMENT.
Agreement"), with York Vision and TW Sub Inc., a wholly-owned substitling of Time Warner ("Sub"),
purposed to which Sub-will be rounded with and into WCI and WCI, as the purviving corporation, will become
a wholly-owned authorities of Time Warner (the "Merger"). In the proposed Merger, each then outstanding
etising of common stock, per value \$1 per strare, of WCI (a "WCI Share") will be converted into the right to
sent of conjugat select be, seres 1 be, series or use in secretaria 1 and percentage and and which to
receive the "Marger Consideration", which will consist of a unit, determined pursuant to the formula set forth-
erthe Marger Agreement, of the following securities: (I) Series C 69/% Conventible Exclusinguistic Profession
Stock, per value \$1.00 per share, of Time Warner ("Cash Pay Preferred"); (f) Series D 11% Convertible
Exchargeable Preferred Stock, perviols \$1.00 per share, of Time Warner ("Pik Preferred"); and (iii) Chas A
Common Stock, per value S.01 per share, of BHC Communications, and, ("BHC Class A Common"). Based
Consideration by and the property of the constant of the property of the constant of the const
upon such formula and the number of WCI Shares expected to be outstanding at the effective time of the
Moreur (the "Effective Time of the Merger"), a unit of Merger Consideration would consist of approximately
(i) \$34,0028 household value of Cent Pay Professet, (ii) \$26,1643 liquidation value of PIK Prefesset, and (iii)
15185 of a stere of BHC Class A Common.
Hoteles of WCI Shares will also have the right to receive additional consideration ("Additional
INDICATE OF ANCI STREET AND STATE OF THE STA
Consideration*), payable approximately 57% in additional Costs Pay Professed and the remainder in FIK
Preferred (based upon the Equidation value thereof), equal to interest on the Merger Consideration at a rate
of 9% per armum during the period from but sectuding August 25, 1959 to and including the Effective Time of
the Marcos, less the propert of any cash dividend per WCI Share paid by WCI during the period from August
18, 1996 to and including the Elective Time of the Merger; provided, that any day during which
consummation of the Margar is not possible because of an Injuristion (as defined in the Margar Agreement)
shell not be included in the culturation of the number of days in respect of which such Additional
Consideration shall be so payable. Assuming that the Effective Time of the Merger occurs on January 10.
1990 and that there is no future injunction, and after giving effect to the decident of \$.17 per WCI Strare paid
on November 15, 1868 to holders of record of WCI Shares, the Additional Consideration to be paid with
paged to such WCI Share would conset of tractions of shares of Cash Pay Preferred and PK Preferred
impect to sect with Shifts would contact or extends of marine of Celes hay resident mis has hearing
having as approprie liquidation value of approximately \$2.21.
Lorieran's d'in Convertible Sentor Subordinated Deborques due August 15,2001 (the "Debeniures") were
issued under as Indentury, dated as of August 16, 1986, as amended by a Pirst Supplemental Indenture
detect as of Jacobary 11, 1989 (the "Industria"), botween Lorenza and The Chase Manhaster Bent, N.A., #
Trusted, and currently are convertible into WCI Shares at a convention price of \$55.94 per share pursuant to
THE STATE OF THE PARTY OF THE P
the terms of such First Supplemental Industries loned in by WCL Upon communication of the Margar, the
Debertures will become convertible ento unite of Merger Consideration (including any Additional
Consideration with respect thereio) in accordance with the terms of the indenture.
Pursuent to Sections 105 and 1206 of the Industries, you are hereby notified of the proposed Mergerand of
the intent to exter into a pupplemental indenture which will provide that effective as of the Effective Time of
the state of the s
the Merger, the Debentures will be convertible into units of Merger Consideration (violating my Additional
Consideration with respect thereto) at as effective conversion proced \$65.24 per unit, subject to adjustment
to certain treasuress, as provided in the Indonture.
In accordance with WiCris Certificate of Incorporation and By-tree and the General Corporation Law of
the State of Celeviare, These Warner has elected to approve and adopt the Marcer Agreement without a WCI
stockholders' meeting by magne of concurring a written opresed, which has poen executed and delivered by
Stockholders meeting by where of executing a within too water, which has been substituted by

### N. V VANDEMOORTELE INTERNATIONAL Information for holders of certificates

Deted this 11th day of December, 1989 at Gulver City, California.

In the General Meeting of shareholders held on December 5, 1989, it was decided to pay a gross dividend of Bir 240 per certificate over

the year 1988/1989. The net dividend of Bir 180 per certificate will be payable at the office of F. van Lanschot Bankiers N.V. at Hooge Steenweg 29, 's-Hertogenbosch and at the office op F. van Lanschot Bankiers (Luxembourg) S.A., 3 Boulevard Prince Henri, Luxembourg as from December 15, 1989 against delivery of the dividendcoupon

or 2 of the certificates of privileged shares. Stichting Administratiekantoor van Bevoorrechte aandelen van N.V. Vandemoortele International

Hooge Steenweg 29, 's-Hertogenbosch, The Netherlands. December 8, 1989

# Special squad urged on insider dealing

By Raymond Hughes, Law Courts Correspondent

INVESTIGATIONS anspected insider dealing should be taken ont of the hands of "gifted amateurs" at the Department of Trade and Industry and given to a specialist enforcement agency, a lead-ing lawyer has suggested.

Speaking at a conference at King's College, London, Mr Michael Ashe, a London barrister and deputy public prosecu-tor in Singapore, said that a large and sophisticated financial market such as the UK should be seen to be taking a tougher line on insider dealing. He said the most vital ingre-

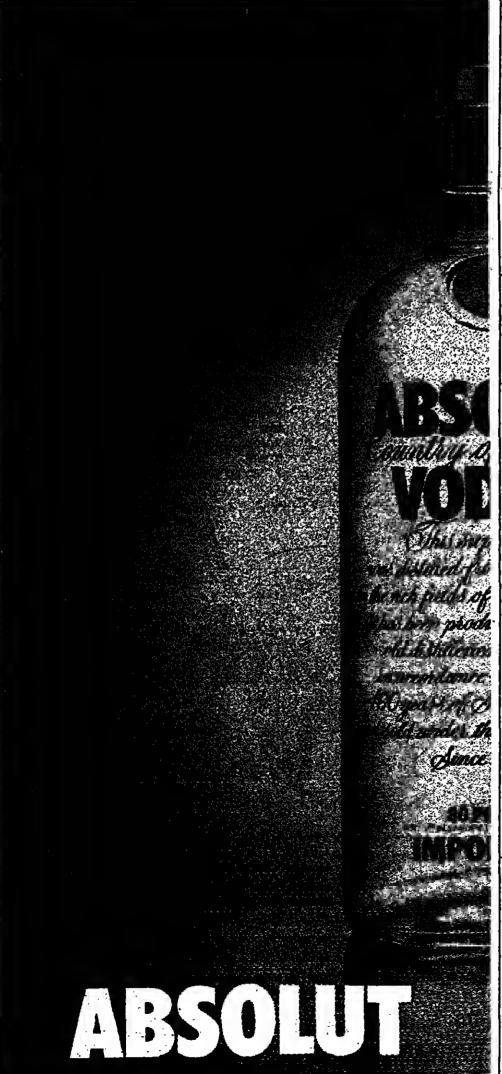
dient for an effective insider dealing law was adequate, expert and fast investigation of There was little doubt about

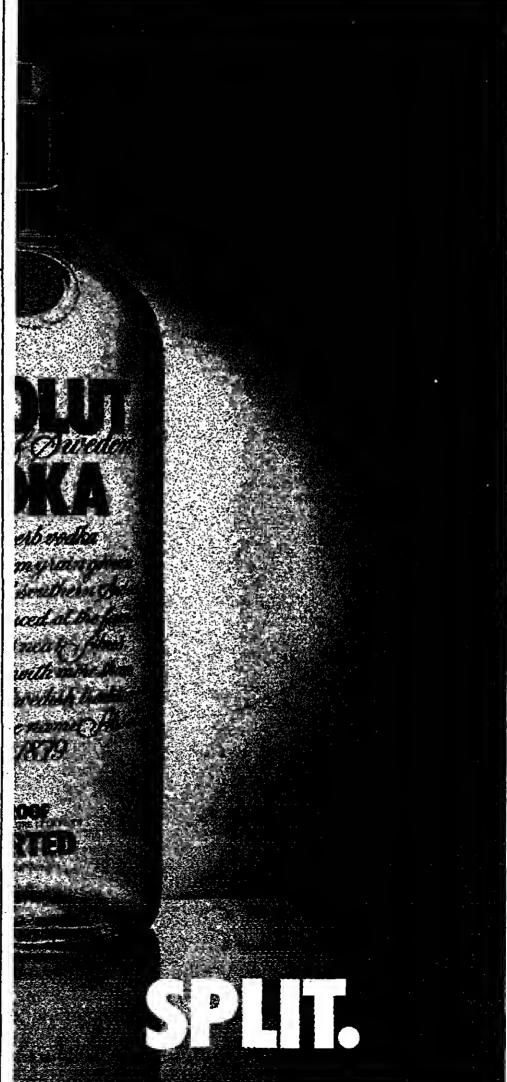
the high quality of the Stock Exchange surveillance unit; what appeared to be lacking was the manpower or facilities or the will — to take investi-gations to the next stage.

If the insider dealing law was to be taken seriously, a well resourced team of profes-

sional and expert investigators, was needed, with adequate powers and legal back-up. There should also be much greater emphasis on the early disclosure of information by companies, and heavy civil penalties to complement criminal sanctions.

Mr Ashe drew a parallel with tax laws, under which most cases of wilful default and fraud were dealt with by civil penalties. He said the availability of civil penalties might result in cases the DTI was rightly nervous about prose-cuting being proceeded with. The criminal penalty could be kept in reserve for cases that were more truly criminal and would merit a jail sentence.





### MANAGEMENT

Yamaguchi says there is no need to

take this step because he welcomes competition, which has acted as a

spur to improving performance, and

NTT has been extending a "co-opera-tive hand" to its competitors anyway. But NTT's critics say what has

actually happened is the opposite. One gripe is that NTT is slow in providing links between its network and those of the NCCs. This hampers competition because the NCCs have to use

NTT's local network to get access to

nection, where we don't even have our network," Yamaguchi's ripostes.

"Maybe our network exists lin one place but they want the point of

interconnection right here [in another] and in order to realise that

starts, we have to order the hardware and the hardware has to be delivered.

Before even ordering the hardware,

we have to be given the information

about where they want the points of interconnection. So we have been ask-ing them to provide that sort of infor-

mation to us as early as possible, but they really did not do it."

"Before the construction work

we have to construct the network,

"All of a sudden NCCs appeared and they are just unilaterally telling us where they want to have intercon-

phone, Japan's telecommu-nications giant, is in danger of losing its title as the world's largest company.

This is not because any other company is likely to grow bigger. Its capi-talisation at around 23 trillion yen is one and a half times the size of its nearest rival — Industrial Bank of Japan - and two and a half times the size of the largest non-Japanese com-pany, Exxon, the US oil company. The reason is rather that NTT is under the threat of being carved up

into 11 local companies and one long-distance supplier by the Japa-nese Government. As such, it suffers the same potential fate that befell American Telephone & Telegraph, which until it was split into seven regional groups and one long-distance operator in 1984 held an unchallenge-able position as the world's largest

Company.

The Japanese Government has not whether NTT. yet made up its mind whether NTT, which was privatised in 1987, should indeed be broken up, but it is planning to present its policy on the matter by the end of the year. And a critical report in October from the Telecommunications Council, the Government's advisory body, gives an indication of the current mood.

indication of the current mood.

The main criticisms of NTT are that it is bloated, inefficient and stifles competition. To these is added the impact of the Recruit scandal, which led to the arrest of NTT's former chairman and tarnished the compa-

Haruo Yamaguchi, NTT's 64-yearold president and chief executive, vig-orously defends the company's right to remain a single entity. NTT is 80 per cent efficient, he said in a recent interview in London. And, far from stifling competitors, Yamaguchi claims that "NTT has made every effort to try to facilitate their entry into the market. We have listened to mto the market. We have listened to their views and accommodated their requests and wishes. NTT has provided the technology that we have accumulated. We have disclosed all this technology to them.

The case that NTT is inefficient that it wishes the second to the second the sec

rests primarily on the claim that it employs too many people and that the organisation is too bureaucratic and centralised. Yamaguchi, though, hits at the suggestion that NTT is bloated by pointing out that staff numbers have fallen to 260,000 from a high of 330,000 several years ago. He also argues that the head of each of NTT's regions has been "delegated the maximum amount of responsibility as well as anthority from the head office.

However, the heart of the criticism by the Telecommunications Council is that NTT has not decentralised authority nearly enough. It believes that, by turning NTT's regions into independent companies, inefficiencies would be easier to spot and rivalry between the companies would give an added incentive to improve perfor-

mance.
These proposals are anathema to

Japanese deregulation

# Counterblast on the phone

Haruo Yamaguchi tells Hugo Dixon why he thinks Nippon Telegraph and Telephone should be allowed to remain the world's largest company



Haruo Yamaguchi: says NTT has been extending a "co-operative hand" say what has actually happened is the opposite

Yamaguchi, who compared the telecommunications network to a human being's nerve system. "Just think of what would happen if you split the nerve system... If you split the nationwide network into different

pieces, you would be faced with differential rates in different areas."

He also questions whether people would be able to get connections from the north of Japan to the south if the different regions were run by different companies.

But it is not at all clear why it should be impossible to make such connections. After all, people have litthe problem calling from one part of the US to another, despite the multi-plicity of phone companies there, and international phone calls are possible even though there is not a single

world phone company.

Yamaguchi side-steps this question
by reverting to the financial arguments. "If you have different subsidiaries in different regions, each subsidiary would have different profits

That would cause rates to differ. So when somebody in the north and somebody in the south talked to each other, the person in the north may be charged higher rates. That is a very unreasonable thing. People should be

charged the same rate for the same call."

But it is not even clear why this should happen. If long-distance traffic is run on a truly competitive basis, there is no reason why a call from the north to the south should be more than from the south to the north. Isn't it only when there is a monopoly that there are such distortions in

"Well, think of local rates," says Yamaguchi. "Suppose in the north they have fewer subscribers and the rates are therefore higher than in the south...(Or) suppose in one region, the management is not producing good results. Then it is possible they have to charge higher rates compared with other regions and this sort of differential rate is still unreasonable.

The other major plank of the Tele-communications Council's proposals is that NTT's long-distance operations should be divorced from the regional companies. It would thus be forced to compete fairly with the three new common carriers (NCCs) which have sprung up to cater for long-distance traffic since Japan's telecommunications markets were liberalised. A further 39 operators are providing com-petition via paging, cellular, satellite and local networks. Yamaguchi's counterblast sounds similar to the arguments used by AT&T in response to criticisms from its smaller rivals during the 1970s that they were not being allowed to connect their networks. Wouldn't it be simpler to split local from long-distance traffic and then there would be no doubt that NTT was abusing its dominant position?

abusing its commant position?

"If we do that, long-distance rates would go up. In the US, they went up by about 40 per cent. I don't think Japanese users would be able to accept that," says Yamaguchi.

Another gripe is that customers of the NCCs have to dial four more digitation get a connection than NTTP-

its to get a connection than NTT's customers and this puts them at a

disadvantage.
Yamaguchi, though, argues that
this was not as bad as the situation in
the US where, until recently, customers of AT&T's competitors had to disl
an extra 20 digits. Although it would
be possible to cut the number of digits
digited by the NCCC sustemant had dialied by the NCCs' customers, he claims that, as a result, NTT's own customers would have to dial more

digits. Yet another complaint is that customers who buy large items of tele-communications equipment such as computerised switchboards from NTT have been given "good" telephone numbers. This is an abuse of NTT's control over the numbering system.

the critics say. Yamaguchi admits this used to take place, but says this had nothing to do with competition between NTT and the NCCs. "Of course, this was not a very good thing and was unfair. We have eliminated this sort of practice." Another concern is that NTT is so

vast that it distorts the market for supplying telecommunications infra-structure. Japanese electronics companies such as NEC and Fujitsu are regularly referred to as the "NTT fam-ily" and foreign manufacturers often complain that they are having to com-

pete not just against single companies but against Japan Inc. But Yamaguchi says that "NTT's procurement has been done in a most transparent manner. We are really transparent manner. We are really the only company that is making procurement this fair and transparent internationally. Although it is true that we are buying a great deal, the way we buy is completely transparent, fair and, I want to emphasise especially, this fairness extends to the international arena."

The snag is that only 4 per cent of NTT's total procurement budget of 1.2

NTT's total procurement budget of 1.2 trillion yen is placed with foreign firms. This compares with well over 10 per cent at some of the "Baby Bells" which resulted from the break-up of AT&T.

Yamaguchi counters that "when AT&T was still one company, its procurement from foreign sources was only about 10 per cent," But, if one follows this analogy through, the conclusion would seem to be that the position of foreign suppliers in Japan would improve if NTT were also broken up.

# Managers are the Luddites now

John Gapper reports that CAD is more popular with its operators

hich sort of worker feels threatened by, and tries to resist. new machinery? The shoptioor operator has always been thought to be the main culprit in Britain. But a damning study of the incompetent ways in which British engineering companies have introduced computer-aided design (CAD) systems in the 1980s suggests that managers may be the new Luddites.

Luddites.

The picture painted by the study of the engineering companies is a depressing one. Here are tales of inter-departmental rivalry, lack of training, feer and ignorance about technology. British companies emerge as willing to spend a lot on technology, but little on teaching people how to work it.

"What use is all this expensive hardware and software we

sive hardware and software we own if we don't know how to use it properly?" is the ques-tion the study suggests senior managers ask themselves. Perhaps the most humiliat-

ing conclusion for managers is that early resistance to CAD among unions and workers has died away, while managers remain suspicious and igno-

The experiences of a small company making mechanical handling equipment are typical. The personal computer-based system looked smart and reduced labour turnover, but "it was not totally clear whether the CAD system's pri-mary role was an engineering one, or wbether it was simply. . .part of the very attractive and expensive furniture."

In 1986, the managing director believed the company had never had any significant benefit from CAD. In 1988, a manager said the system had never h been managed properly and no senior manager had devoted time to working out how best to use it. The man called "CAD manager" was the operator who had shown most interest, and had no managerial train-

The system was being used predominantly for two-dimensional drafting and detail drawing, rather than three-dimensional modelling. Only five of the 12 design englneers were trained to use it at all. There was no training bud-get in 1988, nor little hope of

one in the future, so the CAD one in the fitture, so the CAB manager was unable to train the engineers he needed.

The CAB system was none the less quite popular with the users. The company was not unionised, and there had been no pay rise attached to learning to use the system. The users saw their skills as helpful in making them attractive. ful in making them attractive to other companies rather than being of benefit in their cur-

rent jobs.
The study, carried out between 1981 and 1988 by researchers at the Science Policy Research Unit, concludes that the proper use of CAD requires high managerial skills because of its challenges to the organisation of work and demarcation among depart-ments. But "British senior management often seems to believe that its only role is to

senction the purchase of CAD equipment and thereafter to forget about it."

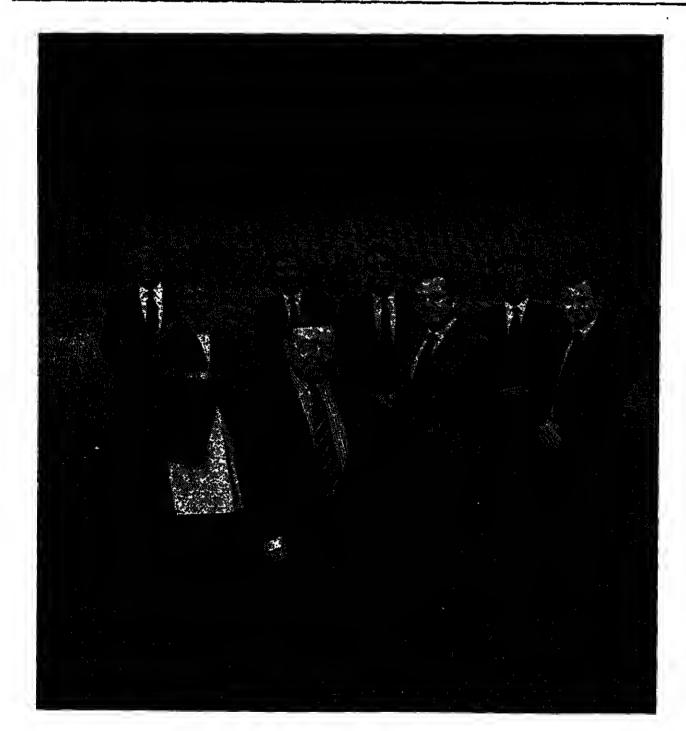
Companies generally aliocated a middle-level manager, who lacked insight into stratewho lacked insight into strate-gic issues, to implement CAD within design and drawing offices. These managers were often capable of automating design and drawing, but were accused by colleagues of empire-building when they tried to extend the use of the system into computer-sided engineering.

engineering.
The neglect of training for users, which limited the full use of the systems, was found to be matched by the tendency to be matched by the tendency of managers to devote insufficient time and resources to training themselves. This is partly hismed on the revolutionary nature of CAD technologies, which many senior managers found hard to grasp because of their background.

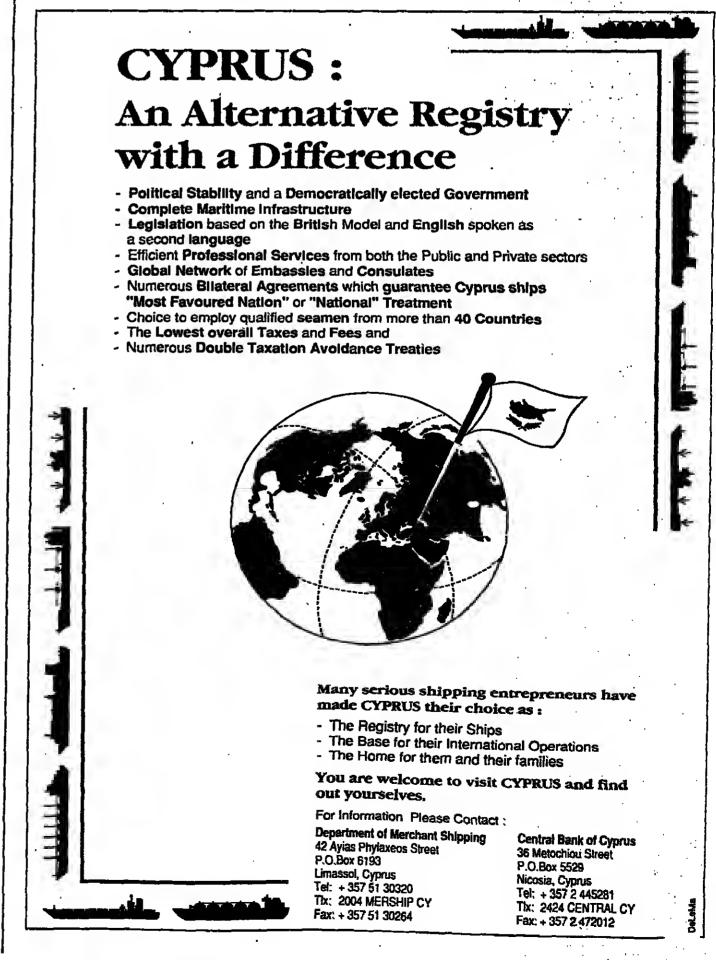
"It can also be explained by the relatively subcratic, non-participative style of Brilish management, a style in which

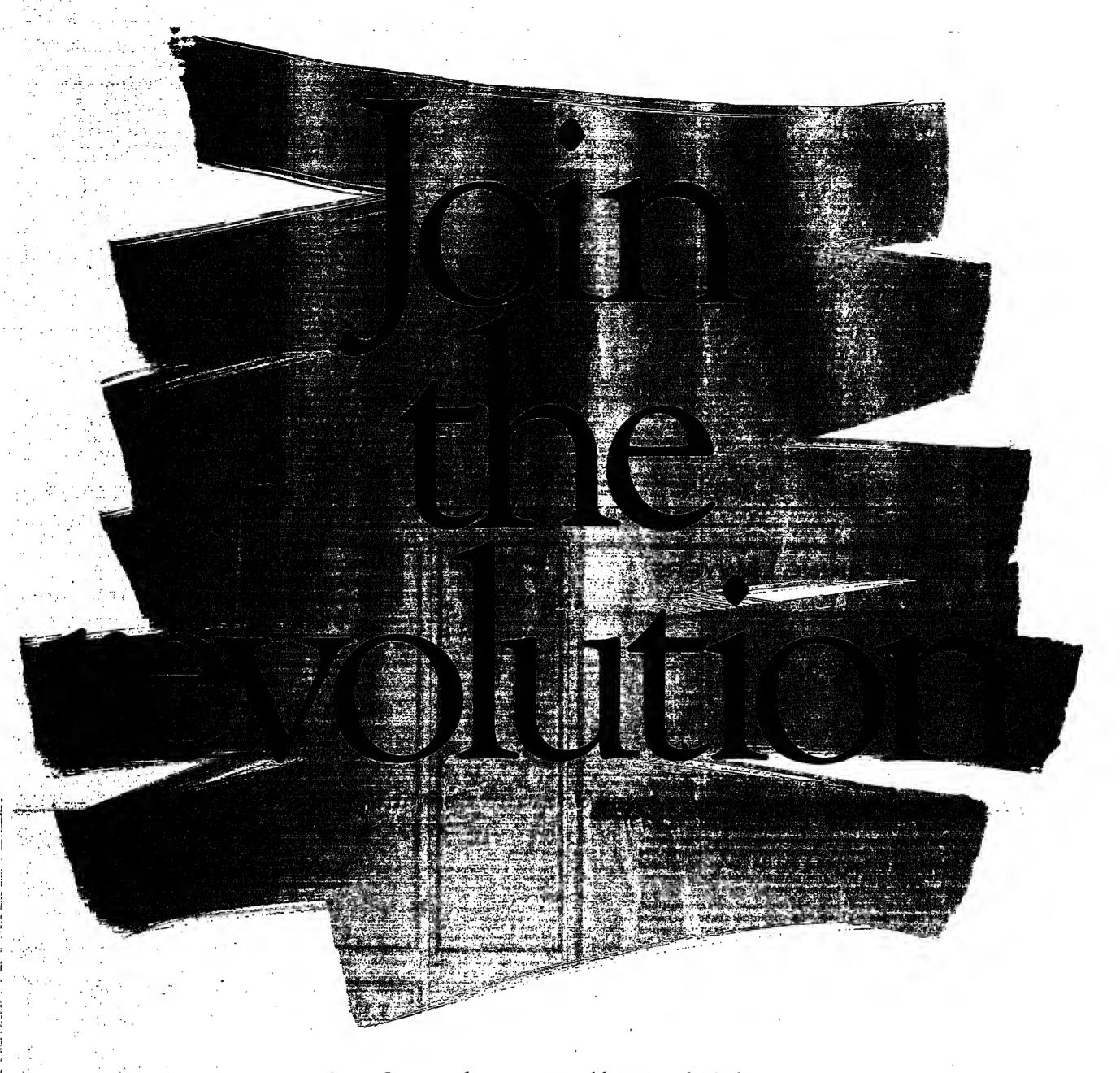
management, a style in which sitendance at training courses, attendance at training courses, and listening to juniors' advice, can come to be regarded as demeaning," the study says. In other words, managers' insecurity and obsticacy prevented proper use of the equipment they had bought.

Making More of CAD: ETTB Publications, PO Box 75, Stockport SK4 1PH; £70 (Synopsis, EIG, Synopsis, and Report £75).



# The East Lancs revolutionaries.





# (A few places still available.)

The Government's Training and Enterprise Councils were only launched in March. Today, over 40 TECs, covering more than half the country, are well under way.

What everybody thought would take at least 2 years to achieve has happened in just 9 months.

It's easy now to see why the response of the business community to the TEC challenge has been so immediate. TECs will not just be talking shops. They'll have the spending power and the authority to make a real impact on the economic prosperity of each community.

For this country to succeed in the nineties, it needs a more skilled and adaptable workforce. And the people who will make that happen don't sit in Government; they sit on TECs.

And if that sounds a little revolutionary, it's meant to.

### THE TECs SO FAR

OYMENT BIO

South East Milton Keynes, Hertfordshire, Essex, Hampshire, Isle of Wight, Thames Valley, Heart of England (Oxfordshire). London Aztec (Kingston/Merton). South West Devon/Cornwall, Dorset, Somerset. West Midlands Birmingham, Walsall, Staffordshire, Dudley, Wolverhampton. Northern Teesside, Tyneside, Wearside, County Durham, Northumberland. East Midlands and Eastern North Nottinghamshire, Norfolk/Waveney, Suffolk, Greater Peterborough. Yorkshire and Humberside Sheffield, Calderdale/Kirklees, North Yorkshire, Rotherham. North West Cumbria, East Lancashire, Rochdale, Oldham, South and East Cheshire, Wigan, Stockport/High Peak. Wales Mid Glamorgan, South Glamorgan, Clwyd/North East Wales, West Wales, North West Wales.



# Plight of NatWest in Blue Arrow defence

By Robert Rice, Legal Correspondent

THE DECISION of NatWest Investment Bank with the full sup-port of the NatWest Group to fund the legal costs of its present and former employees charged in connection with the Blue Arrow affair appears to have been the result of much soul searching on the part of NatWest's new

senior management.

Their dilemma lay in trying to balance fairness and loyalty to present and former employees on the one hand against the potential damage that might result if the offer of financial support was seen in any way as condoning their alleged misconduct or in some way as trying to influence their defence.

The official explanation for the decision offered hy Mr Howard Macdon-ald, chairman and chief executive of NWIB, was that as the charges related to actions taken when the individuals were employed hy the bank's subsidiary County NatWest, and therefore reflected on NWIB's business, the bank had thought it appropriate to make financial support available so that they could have "proper repre-

The bank also felt that financial help would enable the case to be dealt with as quickly as possible, which was very much in the best interests of

NWIB, he said. He was, however, quick to emphasise that the decision did not imply any comment one way or the other on the actions of any of the individuals, nor did it in any way commit NWIB or CNW to those actions nor imply anything in relation to the legal position of NWIB and CNW.

The individuals to whom the sup-

port has been offered are Mr Charles Villiers, former chairman of CNW, Mr Jonathan Cohen, former chief executive, Ms Elizabeth Brimelow former executive director and head of compli-ance, Mr David Reed, former execu-tive director and head of corporate advice, Mr Nicholas Wells former executive director corporate advice and Mr Stephen Clark, who is still employed as the group finance direc-tor, but is suspended on full pay. No decision has yet been reached

No decision has yet been reached by UBS Phillips & Drew as to whether it intends to follow NatWest's exam-ple in relation to its two former employees, Mr Martin Gihbs and Mr Christopher Stainforth, and its two current employees Mr Paul Small-wood and Mr Timothy Brown, who are also charged in connection with the Blue Arrow affair. the Blue Arrow affair.
On the surface at least, the bank's

decision looks unobjectionable. Those charged are alleged to have committed their offences while employed by the hank and in their capacity as bank employees. It can therefore be argued that it is only right that as they were not acting in a personal they were not acting in a personal capacity, they should not personally be liable for the expense of defending

On the other hand It is hard to find any precedents for such a decision. Certainly, none of the Guinness defendants appears to have been so fortu-nate, although Cazenova & Co have on several occasions made clear that Mr David Mayhew remains a partner and enjoys their full support.

Mr Ernest Saunders, the former Guinness chairman and chief executive, far from being supported hy his old employers, is being sued by them over the \$5.2m the company alleges he authorised to be paid to US Attorney Mr Tom Ward for his services during the takeover battle for Distill-

Mr Saunders' personal finances were exhausted by legal proceedings long ago (he still owes his lawyers over £300,000 from the early stages of his defence) and he has been granted legal aid subject to his having to make a possible contribution of up to £287,000 at the end of the trial. He has yet to be granted legal aid to fight the

yet to be granted legal and civil action.
Before reaching its decision, NatWest must have taken into account
how it would be seen by the public.
To many people it would merely look as though the hank was standing by them. But there was clearly risk that it might imply something further, that, for example, in some way the hank was condoning their alleged misconduct. Certainly it firmly allies the bank with their position.

There must also have been concern about the effect of the decision within arout the effect of the decision within the hank, particularly on staff morale. All those charged held very senior positions. Junior or middle-ranking executives might legitimately wonder whether if they had found themselves in a similar position the hank would in a similar position the bank would

have made the same gesture.

They will want to know whether the decision implies that in future the bank intends to fund the defence of any employee facing criminal charges

arising out of their employment.

Is the bank in effect offering indemnity to its employees against the costs of legal action? If it is, then this type

of support must surely be treated as an emolument rather like medical insurance, it will be interesting in any event to see how the inland Revenue regards the funding hy the bank of legal costs that will almost certainly in each case run into six figures.

The other reasons put forward by Mr Macdonald for offering financial support are less convincing. Those charged can almost certainly afford, in the initial stages at least, what the

bank calls "proper representation".

Obtaining proper representation is not that expensive, it is the length of time that it takes to get these complex cases into court that causes the finan-cial difficulties for defendants.

Proper representation will also have little bearing on the speed with which the case is dealt with. In all likelihood, the Blue Arrow case will come to court much more quickly than either Guinness or Barlow Clowes, hut that is because it is emirely a domestic matter without the complications experienced in the other cases of gathering information and evidence ahroad.

\* \* \* \* \*

Some months ago in this column we took issue with The Economist for guessing at the gross fee incomes of City law firms and suggested an alter-native method of calculating the right figures using Clifford Chance, the UK's largest law firm, as a role model.

Since that time. Clifford Chance has opened its doors, some might say rather unwisely, to the American Lawyer magazine. Staring out from the front cover of the December issue under the heading "Can they Skaddenize Europe?" (a reference to the

US law firm Skadden Arps) are senior partner Sir Max Williams, managing partner, Geoffrey Howe (no relation), and marketing partner Derham O'Neill.

The article is for the most part a racy account of the 1987 merger between Clifford Turner and Coward Chance. The overall tone of the piece is rather snide, full of little remarks such as "Lawyers from the top competitors privately sniff at the quality of Clifford Chance's work, as seen across the table" and "Clifford Chance continues to be conspicuously absent from most of the highest-profile deals, according to nearly a dozen corporate partners at London firms".

partners at Loudon firms."

Sir Max, who it describes as a "shrewd, pipe-smoking politician with a charming habit of dropping names", is philosophical about the piece. "It's full of inaccuracies", he says. "I've never smoked a pipe in my life".

He is particularly dismayed, however, by the firm's fee income figures which appear in a table in the article. "They are totally inaccurate". he

"They are totally inaccurate", he says. "The firm would never disclose such figures".

For the benefit of those who may not see the article, here, inaccurate or not, are the American Lawyer's estimates of Clifford Chance's earnings. Gross revenues in 1989: £150m. Net revenues: £52.5m, Revenue per law-yer: £162,000. Profits per partner: £284,000. First year partner's earnings: £110,000. Senior partners (after 11 years) earnings: £375,000. Starting salary for assistants: £23,000. Hourly rates, partner: £225-275, assistant: £90-175, articled clerks: £50-80. Average rate per hour: £114.

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\* TWO QUALIFIED COMMERCIAL LAWYERS with 2-4 years postexamination experience to work closely with senior commercial and construction lawyers for Japanese trading, commercial, retail and construction companies.

ONE PARALEGAL GRADUATE In economics, politics or history, preferably with experience in commerce or industry, to work closely with lawyers in the Japan Desk in strengthening our ties with the Japanese communities in Hong Kong and the region. Preference would be given to applicants with translation capability (Japanese to English and, hopefully, English to Japanese).

The successful applicants must have first rate academic credentials, be highly proficient in the Japanese language and understand the needs of Japanese clients. In return, the above positions offer a challenging and financially rewarding opportunity to work in the mainstream of Japanese investment Into the Asian region.

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The appointee will be based in one of the Firm's Pacific Rim offices (the Firm has offices in Australia, China, Hong Kong. Japan, Korea, The Philippines, Singapore, Talwan and Thailand) and will be expected to undertake extensive travel within the

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MONDAY 8TH JANUARY, 1990

FOR DETAILS PHONE

**ELIZABETH ARTHUR** 

01-873 3199

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The interest rate applicable to this above hotes in respect of the six month period commencing Monday LIth Documber 1969 has been fixed at 47xth per annuar The Interest amounting to US \$42.66 or US \$1,000 principal amount of the Notes will be paid on Monday LIth June 1990 against presentation of coupon like 15 BANK LEUM TRUST CO OF NEW YORK

**COMPANY NOTICES** 

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### **LEGAL NOTICES**

IN THE HIGH COURT OF JUSTICE CHANCERY DIVISION

IN THE MATTER of BUSINESS TECHNOLOGY GROUP PLC

No.007544 of 1989

IN THE MATTER of: THE COMPANIES ACT 1965

NOTICE IS HEREBY GIVEN that a Pedition was on 24th November 1989 presented to Her Majorny's High Court of Justice for the confirmation of the reduction of the Share Premium Account of the above-mented Company by ES,198,732.54.

AND NOTICE IS FURTHER GIVEN that the said Pedition is directed to be heard before the Honourable Ner, Justice Harmon et the Royal Courts of Justice, Strand, London WC2A 21.1, on Microday the 18th day of December 1989.

Any Creditor or Strandorder of the said Company dealing to oppose the making of an Order for the confirmation of the said reduction of the said Share Premium Account should appear at the time of hearing in person or by Coursel for that purpose.

A copy of the said potition will be furnished to any each person requiring the same by the undermentioned Solicitors on payment of the regulated charge for the same.

Mactarianes 10 Norwich Street, London EC4A 18D Solicitors for the above-named Comper

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### ARCHITECTURE

# Where Lutyens meets Wren

remarkable thing has hap-pened in the City of London, A great commercial building of the 1920's has been renewed enhanced in a way that sets very high architectural standards for the City. It is a moment to celebrate.

Sir Edwin Lutyens designed Britannic House in Finsbury Circus for the
Anglo Persian Oil Company (which
became British Petroleum in 1954)
between 1920 and 1924. It is undoubt-

edly one of the most interesting exam-ples of a commercial building of that period and can be favourably compared with other monumental examples like Bush House and Adelaide House.

Bush House and Adelaide House.

As a product of the last 20 years of Lutyens'e life it is a key example of his development of the classical language. It is imbued with the spirit of Sir Christopher Wren, Baldassare Peruzzi, Antonio da Sangallo and Giacomo Barozzi da Vignola — a veritable lesson in architectural history. It is this richness of its historical references as well as its own superb architectural achievement that makes it such a rewarding and satisfymakes it such a rewarding and satisfy-

ing creation.

BP left the offices in 1966 and there BP left the offices in 1966 and there had been various occupiers until Greycoat PLC purchased it in 1986. By a strange quirk of fate BP is to move back into it as its refurbished headquarters in the autumn of 1990. That completion of the circle neatly parallels the geometry of the changes that have been made to Luxune's crisical office block to Lutyens's original office block to

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bring up to date.

The relevance of what has happened at Finsbury Circus applies to London as a whole - and indeed to other commercial cities. It is a story worth telling in

The fabric of cities has to change and adapt but this is a process that everyone (or almost everyona) wants to accomplish without serious losses. Bri-tannic House was a listed building and any changes had to follow the careful advice of English Heritage, the City of London conservation officers and, in this case, The Lutyens Trust. This was not seen as a restriction by Greycoat PLC but as a means of ensuring that very high standards were applied to every aspect of the refurbishment.

The architects first appointed by the

The architects first appointed by the developers were William Nimmo and Partners. They were subsequently joined by the firm of Peter Inskip and Peter Jenkins who played the leading design role in the project.

The plan for Britannic House is an irregular pentagon. The building occupies a quadrant of Finsbury Circus and in its concave façade to the gardens it echoes the curve of George Dance's Circus, which it partially replaced. From the outside it is both architectural and sculptural. It would not be unreasonscubtural. It would not be unreasonable to expect a grand cortile in the centre of what appears to be an Italian town palace. In fact, while Lutyens provided great halls, a grand staircase and vided great halls, a grand staircase and a group of main rooms, the rest of his interior comprised ordinary offices, many of them lit from rather dim glazed brick light wells.

But from the outside it is a palace. Clearly Lutyens knew the Palazzo Farnese at Caprarola by Vignola Britannic Hense has the course of a haz

House has that same sense of a bas-tioned plinth and of one palace rising out of another. It is fascinating to note that a preliminary drawing does exist for Britannic House that shows a circular court at the centre. This was not built, nor was the scheme which showed a great tower soaring out of the centre of the block. Vignola at Caprar-ola has a circular court within the pentagon which has curved façades, using a language of arches and columns. Lutyens provides us with a lively vertion of this on his Finsbury Circus ele-

The architects Inskip and Jenkins have intelligently grasped the geometry of both Vignola and Luiyens. They have seen that Luiyens was able to make his Circus front dominate the plan by mak-ing an axial line through his central entrance door to the exact middle of the Circus. He takes this line about three-quarters of the way into the building where a variety of major junctions occur. To bring light into the reordered offices today, the architects have followed that line and built an elegant full height curved atrium.

To achieve this great top-lit space it

was necessary to make one major sacri-fice. Lutyens had his great boardroom



Britannic House, Finsbury Circus: recently refurbished by Greycoat PLC, it is to become BP's headquarters again

bridging the centre of the block on the fourth floor and this has had to be removed and re-erected on a lower floor. It was an adaptation that immediately made it possible to light the centre and provide space for more lifts and create a space that is geometrically related to Lutyens's original ideas. The new atrium is dominated by a stone-faced grid-like wall which seems particularly severe after the riches of Lutyens's marble halls. But it is an ampropriate treatment and every eleappropriate treatment and every ele-

ment is immaculately detailed. Every possible care has been taken by Greycoat PLC and their architects to modernise, but also restore. Lutyens's gave Britannic House one of his very best staircases; lined with Brescia marbles and barrel vaulted, it is as grand as the staircases of the Viceroy's House at New Delhi. The two entrance halls, one on Moorgate and one on Finsbury Circums and the half of the consideration. cus, are linked by a 12 ft-wide corridor. It is no exaggeration to say that this is where Lutyens and Wren meet. The

implied pilasters, the mirrored openings for bronze lights, and the deployment of brilliant stone carvings all put these spaces into the architectural top rank. Wa know Lutyens loved St. Paul'e; here is a secular version. The restoration is a

The Financial Times is one of the sponsors of the important exhibition of The Drawings of Inigo Jones (1573 - 1752) which opens at the Royal Academy of Arts, Piccadilly, London, W.1. on December 15 and runs until February 25, 1990. This show was first seen in New York, and it will be the first the transport of the programment of the second of the programment of the pr that all the known architectural draw-ings of the great master of English architecture have ever been seen together. The famous portrait of Jones by Van Dyck, which was bought by Catherine the Great, is being lent from

Colin Amery

### **BOOK REVIEW**

# The reality of Richard Strauss

Reading Richard Strauss - An Intimate Portroit, by Kurt Wilhelm, translated by Mary Whittall (Thames and Hudson, 312pp, £27.50), I felt I was completing a prolonged passage from qualified interest in Strauss's music to abiding love of it. Another chapter, in my personal history of belatedof:it. Another chapter in my personal history of belatedness, so to speak, was being written, to join those on Brahms, Dvorak, Bachmaninov and other mid- to late romantics whom I was early taught to regard with distasts. Why it takes so many people so long to overcome their resistance to the great albeit opplent music the great, albeit opulent, music of these composers I am no lon-ger sure. I have forgotten what the puritanical objections actu-

ally were. Kurt Wilhelm's intimate portrait of Strauss helps to make the musical case for him not by means of special pleading or aesthetic analysis but simply by laying before us the verified facts of his life. Wilhelm catalogued the tens of thousands of letters in the Strauss archives at Garmisch, the composer's Abine villa. Using this mate-rial, along with press cuttings, a handful of memoirs by con-temporaries and some thousand private photographs belonging to Stranss's son

ing presence.

The incrustations of popular prejudice, not only against Strauss the facile, over successful romantic — the gorgeous note-spinner without a heart — but against Strauss the putativa Nazi collaborator, are scraped away, and the man stands factually before us. What we see is a man who lived to compose, whose domestic arrangements supremely facilitated his composing, a man for whom the

posing, a man for whom the stern realities of life were har-mony and counterpoint. Ha muddled through the Nazi period with the attitude that "I made music under the Raiser and under Ebert - I'll survive under this one as well," and he certainly made some political blunders (such as standing in for Toscanini at Bayreuth in 1933). But Wilhelm who was himself imprisoned by the Nazis — presents no evi-dence that Strauss's behaviour

nation of a septuagenarian for not emigrating.
There is plenty of evidence There is plenty of evidence here of Strauss's generosity, probity and even-temperedness. He belonged, like Stravinsky, unlike Mahler, to the type of the happy genius — the compulsively regular worker who rejoices in his craft and seldom looks beyond it. As a recovery man of 29 recovering in

was unacceptable. The world has been harsh in its condem-

overwork, he wrote: "True hap-piness exists only in the isola-tion of creating at one's deak, or in the reception of the works of our geniuses." Hs works of our gentuses." Hs once retorted to a young conductor who was taking a year's leave to write his opera: "What for? The day has 24 hours, 12 for one's duties, 8 for sleep, 2 for meals. That leaves you 2 hours every day for composition. With so much free the year, why do you need any leave?" why do you need any leave?" The volume, written in the form of a continuous, if jumpy,

such vigneties. The Four Last Songs were composed when a gloomy and disillusioned Strauss was domiciled in the Palace Hotel in Montreux after the war; his son Franz had tried to divert him: "I said to him: 'Papa, give over writing letters and brooding, it doesn't do any good. Write a few nice songs instead.' He didn't answer me. The next time we were there, a few months later. he came into our room, put some scores down on the table and said to Alice: Here are the songs your husband ordered."

Describing his relationship with his notoriously shrewish wife, Strauss once remarked to Lotte Lehmann: "Believe me, Lotte, the whole world's admiration interests me a great deal less than a single one of Pau-line's fits of rage."

# The Visit

**RIVERSIDE STUDIOS** 

production of a classic text was preceded in Hammersmith by its reputation, its première last year at Islington's Almeida Thesire marked an important staging post in the life of an increasingly important com-pany. Apart from the obvious implications in terms of an avant garde company now . ready to engage with mainstream literature, Annabel Arden's feisty production is one in the eye for anyone who was inclined to dismiss Complicité's work as physical buffoonery.

Interestingly, its weakest

point is in the opening minutes when the comic evocation of waiting villagers rattled by every passing express train delays and distracts from a narrative that thereafter sweeps along, with a quite astonishing ability to people a whole village, and a visiting mail, with just eight actors. The coup of the evening is Kathryn Hunter's magnificently sinister portrayal of the avenging millionairess, a designer toad on gilded crutches who struts through the village like an expression-ist nightmare of death, her voice gurgling up from a body that seems unnaturally swol-len over the spindly prostheses that serve for limbs. For those unfamiliar with Durrenmatt's blistering fahle, she has returned to the impoverished Paul Driver village of her birth to black-

Theatre de Complicité's first mail it into killing the man who bedded and betrayed her as a 17-year-old innocent. Her releutless campaign transforms Simon McBurney's

Alfred from a gormless, patently unheroic shopkeeper, with bulging belly and quiver-ing moustache, into something very close to a tragic protago-nist, as the loyalties of his neighbours wheel against him. The dawning realisation of his fate his cibbaring trability to fate, his gibbering inability to board the train to safety, and his final mute submission to the inevitable communal killing twists physical comedy through 180 degrees, drawing out of the laughter a chilling alertness to the brutalities of the comedie humaine.

Designers Rae Smith and Paddy Hamilton frame the production with a paint-splattered shroud of clothes, a backdrop that contains a clear reference to the atrocities of Nazi Ger-many (not least since a similar idea was used in Nick Hytner's Ghetto). They do so quite rightly, since the resonance of this fable is its relentlessly logical exposure of precisely the sort of self-deception that led to the extermination camps. Justice means one thing before Clara's arrival, quite another thing after it. One emerges convinced that one has seen a great play, rather than a gre production, which after all is just as it should be.

Claire Armitstead

# Show Boat

GRAND THEATRE, LEEDS

"A masterpiece" is how Nicholas Payne, General Administrator of Opera North, describes the Kern-Hammer stein musical of 1927 that his company has staged to associa-tion with the RSC (with support from Martini & Rossi), and i am inclined to agree. Yet was ever a masterpiece more flawed? Don Carlos, with which Show Boat shares a hideously complex textual history, is by comparison ntterly unflecked.

The main problem is fidelity to Edna Ferber's novel. The to Edna Ferber's novel. The long first act, concentrated on the Mississippi, is indeed masterly: four marriages are laid out for onr examination against a troubling social background. In the shorter second act, we move to Chicago, 40 act, we move to Chicago, 40 years pass, and there are acres of plot to be dispatched in double-quick time — not all that convincingly — amid a flurry of reprises. Yet despite the insertion of an extra interval in the first act in Leeds last Friday (the only serious mistake in the whole evening), which emphasised the problem, one still came out of the theatre conscious of having been in the presence of greatbeen in the presence of great-

If Kern had neithar the know-how nor the will to bully Hammerstein, Verdi-like, into shaping the material into more coherent dramatic form, he nevertheless ensured Show Boat's immortality with his half-dozen great set numbers; it is not given to every 20thcentury composer to write a quasi-folksong, one to enter the did with "Ol' Man River". Yet these show-stoppers do more than just delight: they shape, and render distinctly unsettl-ing the ideas behind the piece. There is a school of thought that liberal-minded Broadway creators fed contentious mate-

ceptably bitter pills with the sweetness of music. If this is so, and I am inclined to agree, then Show Boat is a prime example. A musical that starts example. A musical that starts with the words, sung by a black chorus, "Niggers all work on the Mississippi while the white folks play" is throwing down a ganutlet at the very outset and, even if the way the first two words were changed in Leeds to "Colored folks" lessened the impact, it is perhaps not for me to cavil; the N-word, here used only by rednecks and bigots, was edited out of Glyndebourne's Porgy altogether, and is famously the reason for the Porgy chorus declining to take part in the declining to take part in the RMI recording of Show Boot.

But there is no doubt about what Hammerstein and Kern were up to. "River" and its

were up to. "River" and its singer, Joe, are as it were the bedrock-norm: leave the Mississippi and disaster ensues. Of the four marriages, Joe's and Queenie's is the one, for all its stresses, that works best; the others are based on compromise and deception and held together, if at all, by the steadfastness of the wives. This too makes Show Boat timeless: men are feckless, selfish and men are feckless, selfish and unreliable; women are strong, trusting and capable but (relax, male readers) they can't help loving those men of their's. Times have changed on this scene (unrelax)

The greatest strength of Ian Judge's superh production is that all this is ever-present yet never thrust down the andience's gullets - goodness, how one dreads a Harry Kupfer staging. The opening chorus is sung with just the right degree of anger and resentment, no more, and it only needs the notices "Coloreds" and "Whites" at the separate Cot-ton Blossom box-offices to

rial into their shows, sugaring what would otherwise be unacceptably bitter pills with the context of Judge's slick, whizzbang direction, in which sentiment and seriousness are as advoitly mixed as are specta-cle and economy in Russell Craig's brilliant sets. Looking a million dollars in Alexander Reid's colourful costumes, solo ists and chorus (the latter augmented by 14 authentically hard-working black artists) ensure that this is a company show: there are no imported discounted by the statement of t dancers, no interpolated pro-duction numbers, and all exe-

duction numbers, and all execute Lindsay Dolan's choreography with proper zest.

There are great performances from Sally Burgess as Julie (the way she is commuting between this and Mincrva in the ENO Ulysses says everything about her bewildering versatility), from Bruce Hubbard and the magnificent Karla Burns as Joe end Queenie (occasionally risking an ele-(occasionally risking an ele-ment of "period" stereotype in their characterisation, and bringing it off without a hint of emharrassment), and from Linda Kitchen ee Magnolia (looking a treat and executing a nifty high-kick in the Charleston). Peter Savidge has a more arduous task with the shadowy Gaylord, hut he sings with appropriate smoothness. Susie Lee-Hayward (Mae Jones in Scottish Opera's Street Scene) and Simon Green (Tin-

man in Judge's RSC Wizard of Oz) are irresistible as the soubrette couple.

The conducting and playing (Graeme Jenkins and the English Northern Philharmenia) are infinitely better monia) are infinitely better than on the EMI recording: all relish the subtletles of Kern's score (cogent use of Leitmotio at least one purposeful inver-sion) as well as its glamour. A great and inspiring evening.

Rodney Milnes



Bruce Hubbard (left)

# The Mahabharata

Since it is lese-majesty these around a campfire. Since it is less-majesty these days to suggest that anything done by the self-exiled Peter Brook is less than perfect, it may be sensible to preface these words about Saturday night's screening of The Mahabharata on Channel 4 with the remark that Brook's 1970 production of A Midsum-mer Night's Dream provided the most memorable night in a theatre that I have ever experi-

enced. The strength of live theatre resides in that benign conspiracy between actors and audience which is re-created slightly differently at every performance. Show a flat stage with a rustic tripod and a light bulb covered in orange cello-phane and - if your actors are any good - the audience will happily suspend disbelief and, within moments, be convinced

that they really are sitting

December 11-14

Water Margin.

Where television falls flat is in attempting to reproduce live

Seem lucid and lightning fast.

Christopher Dunkley

theatre in the studio. No mat-The same does not apply to ter how many tons of sand you television and perhaps that is why *The Mahabharata*, which lasted a mere six hours, felt as matter how many bullrushes though it went on for a fort-night. There were times when you bring in, the lighting and lack of wind ensure that they it seemed that the rambling look like rushes stuck in a stustory of two sets of cousins, playing dice, making war and dio. This was certainly true of The Mahabharata, though gossiping with the gods, might when we reached the war in go on forever. Since character the second half both the stag-development was virtually nil ing (with the effect of an entire and earth shattering events army achieved. Kurosawa-like, came and went with the casulaness of a fairy tale, there seemed no reason why it mist) and the effects improved.

should ever stop. Television is a splendid Was it not tremendously worthy of Channel 4 to help medium for realism, as proved finance the videotaping of this by everything from Jewel In 3,000 year old Indian epic with The Crown to The Bill. It is Brook's multinational cast? also a good medium for draves, yes, of course. If it is matic abstraction with the Channel 4's purpose not just to action hanging somewhere in serve minorities but to ensure limbo, one of the best examples they attract nothing else, then being ATV's 1974 production of this is exactly the sort of mate-Antony And Cleopatra. How-rial that is needed: very, very ever, television is also perfectly long, and very, very confusing. capable of exploiting a mixture it was also very, very violent, of realism and non-realism, as the drinking of your oppo-in The Water Margin which nent's blood being high on the nsed wonderful locations plus vividly illustrated agenda. But technological trickery for that is OK, it seems, since The magic effects. At its best, but Mahabharata is not only forouly for brief moments, The eign but a classic. It made Mahabharata looked like The Sophocles' Theban trilogy Water Margin.

# **ARTS GUIDE**

MUSIC

London
London Symphony Orchestra
conducted by Leonard Bernstein
performs excerpts from Candide,
with Jerry Hadley and June
Anderson. (Tue and Wed) Barbican Centre (01-638 8891).
National Westminster Choir
with the National Westminster
Choir conducted by Ion Huys. with the hatlonal weathingself.
Choir conducted by Ian Hum-phris, with Juliet Booth and Alan Opie, performing Mendelssohn, Dvorak and Smetana. (Thurs) Barbican Centre (01-638 8691).

Paris
Orchestre Colome conducted
by Philippe Entremont, Michel
Legrand, with Michel Legrand
(Mon). Thesitre des Champs Elysées (47208637). Jean-Bernard Pommier, piano. Beethoven, Franck, Chopin (Tue), Salle Gevean (45632030). Easemble Orchestral de Paris conducted by Armin Jordan, with Ingrid Haebler (plano). Grieg, Mozert, Schubert (Tue). Salla Diesel (4653972) Salle Pleyel (45638973). Orchestre de Paris conducted by Günther Herbig, with Misha Maisky (cello). Schumann, maisky (cello). Schumann, Bruckner (Wed, Thur). Salle Pleyel (45630796). Pani Badura-Skoda, piano. Schubert, Schumann, Chopin, Brahms(Thur), Salle Gaveau

> Orchestre National de France conducted by G. Schwarz. Haydn, R. Strauss, Webern, Scria-bine (Thur). Radio France, Gran-dAuditorium (42301516).

Amsterdam Netherlands Philharmonic Orchestra conducted by Hartmut Haenchen, Mahler (Mon, Tues).

Concertgebouw (718 345). Royal Concertgebouw Orches conducted by Charles Dutoit. conducted by Charles Dutoit, with choir and soloists. Berlies, Saint-Saens, Holst (Wed, Thur). Concertgebouw (718 345).

Brussefs

Brussels
Valery Afanassiev and other
planists with Misha Maisky
(cello) play Brahms, Beethoven,
Liszt, Rachmaninov and Schubert. Yuri Egorov Foundation Ben
efit concert. Palais des BeauxArts (Mon).

**Vienna** Kuchl Quartett. Beethoven, Lei-termayer, Brahms. Musikverein. (Mon).
Alban Berg Quartett, Mozart,
Lutoslawski, Schubert. Konzerthaus (Mon, Tues).
Wiener Symphoniker conducted
by Alain Lombard. Respight,
Paganini, Brahms. Musikverein
(Wed, Thur).

Cecile Ousset paino recital. Bee-thoven, Lisst, Ravel and Rach-maninov (Wed). Conservatorio G. Verdi (76001755).

Scottish Chamber Orchestra con-ducted by Yuri Ahronovitch in Poulenc, Shostakovich and Goldmark (Mon, Tues). Anditorium in Via Della Conciliazione

Frankfurt Salvatore Accardo (violin) and Bruno Canino (piano). Mozart, Schubert and Prokofiev (Mon). Alte Oper.
Bruno Leonardo Gelber piano
recital, Beethoven (Tues). Alte

Cologne

Opera Gala with the Bolschoi Theatre and the Kirow Theatre (Leningrad). Arias from Boris Godunov, Eugen Onegin, Turan-dot, Aida and La Traviata

Madrid

Beigrade RTV Symphony Orchestra conducted by Vladimir Kranjcevich. J.S.Bach (Wed). Auditorio Nacional de Musica (2027).

(337 01 00).
Madrid Symphony Orchestra
conducted by Luis Aguirre, with
Roberto Mendoza (violin), Brigida Rodriguez Uria (cello), Rosslia Parsja (piano). Beethoven,
Verdi, Bizet, Poncielli (Thur).
Auditorio Nacional de Musica
(337 01 00).
Budapest Streichsofisten. Farkas, Jardanyi, Weiner, Bartok (Thur). Auditorio Nacional
de Musica (337 01 00).

de Musica (337 01 00). Heana Cofrubas, Enesco, Wolf, Brahms, Mosart, Massenet, Puc-cini, Donizetti (Thur). La Union y el Fenix(338 24 82).

Barcelona

English Chamber Orchestra conducted by Jacques Delacote, with Agnes Baltsa (mezzo-soprano).
Rossini, Mascagni, Donizetti (Wed). Palacio de la Musica Catalana (301 11 04). Deniel Barenboim (piano). Bach programme (Thur). Palacio dela Musica Catalana (301 11 04).

Musica Sacra conducted by Richard Westenburg, Handel (Mon). Avery Fisher Hall (874 6770).

New York Philharmonic conducted by Ginseppe Sinopoli, with Gil Shaham (violin). Mussorgsky, Paganini, Schumann (Tue); and conducted by Zubin Mehta, with Gerry Mulligan and the Mulligan Quartet. Beethoven Mulligan (Thur). Avery Fisher Hall (874 6770).

Isaac Stern (violin), Yo Yo Ma (cello), Emanuel Ax (piano). Brahms (Mon). Carnegle Hall (247 7800).

Washington

Jerome Rose piano recital with Fhyilis Bryn-Julson (soprano) and Theodora Hanslowe (mez-zo-soprano). Chopin programme (Tue). Kennedy Center Terrace

Chicago

Chicago Symphony Orchestra conducted by Leonard Slatkin, with the Chicago Symphony Cho-rus. Stravinsky (Thur). Orchestra Hall (435 6666).

Tokyo

Ensemble Wien-Berlin, Reicha, Ibert, Danzi, Bozza, Francaiz, Suntory Hall (Mon) (289 9999). Boston Symphony Orchestra conducted by Sejii Ozawa, Mahler, Tokyo Bunka Kaikan (Mon), And with Anne Sophie Mutter (violin). Suntory Hell (Fires) (violin). Suntory Hall (Tues). Strauss. Bunkamura, Orchard Hall (Thurs) (209 9999). Tekaes String Quartet. Mozart, Bartok. Casals Hall (Wed) (403

Japan Philharmonic Orchesira conducted by Ken'ichiro Kobay-ashi. Beethoven's 9th symphony. Suntory Hall (Thur) (234 5911).

### SALEROOM Treasures from the deep

Christmas this week with an oriental flavour. The big auction is at Sotheby's tomorrow when the early Chinese works of art bought by the British Rail Pension Fund in the 1970s should make the retired engine drivers, porters, etc. over f/m better off. An exceptionally vibrant Tang horse, stolen then recovered in Hong Kong should contribute 11m to the total.

Mike Hatcher, whose excava-tion of the "Nanking Cargo" of 18th century export porcelain destined for the Dutch market realised £10m in 1986, has been diving again. He came across a trading vessel which sank around 1400 with a cargo of That domestic pots and crock-ery. The 200 pieces to be sold at Christie's this evening carry very modest estimates, and a total of £10,000 in anticipated, which will go to support Bar-nardos. The ceramics are often encrusted with shells and

The salerooms wind down for other sea bed detritus, which adds to their charm.
The main event of the week, however, and the potential causer of a national scandal, is the sale by Sotheby's on Thursday of the Trumbull Papers.
This archive contains one of the finest collections of state papers, from the 16th-18th centuries, ever to appear on the market. It should have been sold, or given, to the British Library but the Marquess of Downshire hopes to make £2m by scattsring them to the

> At Christie'e tomorrow what is considered to be the finest ancient mosaic to appear at auction for many years comes under the (figurative) hammer. It is Roman; dates from around 100 AD; and depicts a group of brightly coloured fish and crustacea mounted on a 19th century gilt frame. It carries an estimate of up to £50,000.

> > Antony Thorncroft

# Franz, Withelm has created a mosaic of pictures, quotations and anecdotes" which eminemly succeeds in its aim of young man of 29, recovering in the Mediterranean from severe rendering the composer's liv-FT hand delivered in Belgium At the start of every working day at no extra charge in Belgium, if you live or work in the following postal districts: RRISSELS—1000, 1020, 1030, 1040, 1041, 1043, 1049, 1050, 1060, 1070, 1080, 1090, 1100, 1110, 1120, 1130, 1140, 1150, 1160, 1170, 1180, 1190, 1200, 1210, 1410, 1420, 1620, 1640, 1800, 1900, 1920, 1930, 1931, 1940, 1950, 1960, 1970, 1980, 1981, 1990. ANTWERP— 2000, 2008, 2018, 2020, 2030, 2040, 2050, 2060, 2070, 2080, 2100, 2110, 2120, 2130, 2180, 2200, 2230, 2232, 2600, 2610, 2710. GENT — 9000, 9110, 9820, 9831. LIEGE -- 4000, 4000, 4200, 4400. LEUVEN ---3000, 3030, 3072. KORTRUK-BRUGGE-**©** Brussels (02) 513 2816. FINANCIAL TIMES Travelling by air on business? Enjoy reading your complimentary copy of the Pinancial Times when you are traveling on scheduled flights from AMSTERDAM with British Airways, British Midland, Canadian Pacific Air, Finnair, Kl.M, Luthanna, Pan-Am, SAS, Singapore Airfines, Thai Airways ... ROTTERDAM FINANCIAL TIMES

# FINANCIAL TIMES

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Monday December 11 1989

# Germany and Europe

THE TWO main decisions of the Strasbourg summit were the convening in a year's time of an Inter-Governmental Conference (IGC) on economic and monetary union, and the decla-ration endorsing German

unity.
The former, which had been a source of tension between France and West Germany and within the West German government right up to the eve of the conference, in the end went through with relatively little discussion and hardly more than formal British opposition. The latter, which contains nothing that was not already the official policy of all twelve signatories, was none the less the subject of much bitter dispute during the conference. The fact that hoth went through was clearly the result of a Franco-German deal, but not a fully explicit one. Both issues have been put on the agenda for future meetings rather than resolved. The relationship between them

remains crucial, but unclear. What is really at stake is the future shape and nature of the European Community. Is "deepening" (closer integration) intended as a device to prevent German unity? If so, none of its supporters dare say so publicly. Yet clearly their sense of urgency about it is heightened by a certain instluctive unease on the Ger-

### Apprehension

Has the prospect of German unity given the West Germans second thoughts about "deep-ening"? If so, none of their leaders dare say so publicly. But the way Chancelior Kohl came ont with his ten point programme for German unity without consulting his Euro-pean partners or Nato allies, and the way he sought until the last minute to avoid starting the IGC next year, have inevitably strengthened the connection in his partners' minds. The effect has been to make their support for German self-determination more grudging and apprehensive than it

Mr Kohl's position is further weakened by his inability to come fully clean on the issue of Germany's eastern border. None of his allies can seriously contest the proposition that nltimately the German people have the right to remove the border between the two German states, if that is what a majority on both sides of it turns ont to want. Equally, though, none of his allies has the slightest interest in raising doubts about the permanence of the present German-Polish border (the Oder-Neisse line).

buried until a peace treaty is signed (something which, under West German law, only united Germany has the right to do). But politically it could be settled by a clear and unanimous pledge of all the main West German political parties. Mr Kohl apparently does not feel able to give such a pledge before next year's general election. But he must real ise that until he does so the qualms of his allies will per-sist. The last thing any of them wants is to reopen the Pandora's box of east European frontiers just when Pax Sovietica is coming to an unlamented end. In these uncertain if hopeful

times the closer integration of western Europe is indeed desir-able, and should not be seen as excluding German unification. It is West Germany's obliga-tions to Nato, rather than to the EC, that are more likely to provide an obstacle.) Whether economic and monetary union is the most urgent form of integration to be pursued is debat-able in principle, but it is clear that politically it has become the litmus test of each member state's commitment. The IGC will have to achieve Emn in some form (not necessarily the precise form envisaged in the Delors Report). The Germans are right, however, in insisting that it also address the problem of democratic accountabil ity in the EC, with which must be coupled the distribution of executive power

It is sad that Britain appear to be playing only a marginal role in these debates. It should have much to contribute both to the future institutional shape of the Community and to the diplomatic task of preventing a revival of Franco-German hostility. Nothing could be more damaging than such a revival to the future prospect

# Flawed plan for student loans

THE STUDENT Loans Bill is a deservedly unpopular part of the UK Government's legisla-tive programme. Mr John Mac-Gregor, the Education Secretary, is right to argue that students should contribute towards the cost of their higher education but wrong to rely on mortgage-style loans administered by the private

There are two powerful arguments in favour of student loans. The first is that a university education is often a very profitable investment in social sciences and engineer-ing, the Department of Educa-tion claims the personal financial return can exceed 80 per cent. Taxpayers, who on average earn less than graduates, should not be expected to bear the full burden of educating the nation's hrightest young-

Loans are also potentially a means of widening access to universities. International com-parisons suggest that the tax-payer subsidy per student is unusually high in the UK but that participation rates in higher education are unusually low. The two ratios are not unconnected. Many commentators now accept that the financial arrangements for higher 1960s - which eschewed both 1960s — which eschewed both loans and tuition fees — guaranteed that the system would remain elitist. The argument is that if the subsidy is spread more thinly, a given higher education budget will support a larger student population.

### Disincentive effects

This is the theory. But it would be naive to ignore disin-centive effects. If the cost to the individual of higher education is sharply increased, demand is likely to decline, particularly from disadvan-taged families. At present, 22 per cent of all students are drawn from the top socio-econ-omic class even though it accounts for only 7 per cent of the total population; a mere 5 per cent of students are drawn from the bottom two classes which account for 23 per cent of the population. The danger is that loans will accentuate these class divisions. A poll by the National Union of Students suggests that nearly a quarter

of youngsters in the lowest socio-economic classes who currently intend to go on to higher education will not do so if the loans bill is enacted.

A good loan scheme should aim to minimise administration costs and the risk of default, as well as the all-im-portant disincentive effects. Yet Mr MacGregor's proposals score poorly on all three crite-ria. Formal contracts with banks and regular mortgagestyle repayments following graduation seem almost guar-anteed to deter students from poor backgrounds. Administra tive costs will be high as the banks will have to monitor large numbers of small pay-ments over many years. And default rates could pose a big challenge in future years. It is hardly surprising that at least one of the big four clearing banks has withdrawn from negotiations.

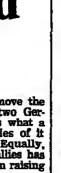
## Debt collectors

Private sector involvement in the scheme is already little more than a façade. The banks will not be lending their own money nor playing any role in assessing credit risks. They will simply act as debt collec-tors for central government. Since the cash for loans has to be provided by the Treasury and the scheme is expensive to administer, no cumulative net savings in public expenditure are expected for 25 years. This particular loan scheme will thus not belp finance an expansion of higher education until well into the 21st century.

There is still time to con-

sider alternatives. The obvious way to minimise disincentive cts. administration costs and default risks would to use the Government's own tax and social security machinery to collect loan repayments. Grad-uates could simply be required to pay a slightly higher rate of national insurance contributions until their debt is extin-guished. The fact that Mr Mac-Gregor has refused to evaluate such options suggests he is more interested in teaching students the "financial facts of life" than in widening access. The UK will require a more robust and flexible loan scheme if participation rates are really to double in the next

quarter century.



### Pandora's box

Legally it may be true that this issue cannot be finally

# of the Community, and indees of Europe as a whole.

The man charged with keeping the wolves at bay and

Milkary personnel 80.0 73.4 74.9 78.1 75.4 80.4 80.2 68.0 89:3 62.6 86.7 89.2 88.6 Operation & maintenance 723 75.5 79.4 911 63.1 113.6 105.2 85.1 Research & development test, & evaluation 26,9 30.6 Miliary construction 60 6.5 ~5.3<u>~</u> 5.2 6.T 5.6 9.5 9.1 6.1 A.3 3,9 5.4 206.2 232.0 259.0 279.5 293.4 335.7 321.0 309.2 303.0 299.3 CUTLAY 199.8 209.0 224.0 240.9 250.7 286.1 302.3 304.3 297.3 293.4 **US** Defence **Budget Authority** Sbn (Fiscal 1988 dollars) LIS Decomment of Determs

Lionel Barber on what peace in Europe means for US defence spending

# Gramm-Rudman meets Gorbachev

he Pentagon is about to enter a painful new era, the era of Gramm-Rudman-Gorb-

The signs of this are becom-ing ever more evident in Washington: the Red Army choir sings "The Star-Spangled Ban-ner" at the Kennedy Centre; Marshal Sergei Akhromeyev, military adviser to President Gorbachev, gives evidence to the House Armed Services committee; and, this month, Mr William Kaufmann of Harvard and the Massachusetts Institute of Technology sets out in a report to cut the US defence budget in half by the vear 2000.

The disintegration of communism in Europe, the weak-ening of the Warsaw Pact, and the apparently diminished Soviet threat - all these fac-tors are combining to undermine the rationale for a \$300bn defence establishment, 60 per cent of which is designed to fight a land-war in Europe which, at most, appears

At home, the Pentagon finds itself on the defensive too. The Gramm-Rudman budget balan-cing law mandates the Bush administration to find an estimated \$40hn in savings - possibly more - to meet next fiscal year's bndget deficit reduction target of \$64hn. With President George Bush showing no sign that he is willing to modify his 1968 election pledge not to refer taxation, the score not to raise taxation, the scope for manoeuvre is limited.

Yet without new revenues, there seems little hope of paying for new domestic programmes increasingly favoured by Congress. "Defence," says one top budget policy-maker, "could be the real victim next year." Admiral William J. Crowe, recently retired as chairman of the Joint Chiefs of Staff, the nation's top military officer, agrees: "The wolves are

reshaping the nation's 2.1m armed forces to meet modern demands is Mr Richard Cheney, US Defence Secretary, a former youthful White House chief of staff in the Ford administration who served for

ten years as a Republican Congressman for Wyoming. Last month, Mr Cheney revealed in several interviews that he was looking for cuts in defence spending of \$10bn to \$15bn for fiscal 1991 (which begins next October). He also disclosed he had instructed the US Army, Navy, and Air Force

to seek ways to reduce planned spending by up to \$120bn over the following three years. For those who doubted he was serious, Mr Chency later dropped hints that he was examining the possibility of US troop cuts in Europe. These cuts, he said, would take place only in consultation with the Allies; and they would occur only after the expected conclusion next year of the conventional forces (CFE) talks in Vienna between Nato and the Warsaw Pact.

It seemed a reasonable response to those in the US who had criticised President Bush for failing to spell out his pledge of moving beyond the post-World War II "containment" policy of the Soviet Union. Abroad, however, Mr Cheney's remarks unsettled allies such as Britain who see a large US troop presence in Europe as a force for stability during the current upheaval. Fears grew when, a few days later, the US armed forces

leaked draft plans aimed at showing the impact of Mr Cheney's proposals. These envisage the slashing of military personnel by 250,000 men and women; the elimination of three active duty Army divi-sions; the grounding of five Air Force tactical wings; and the withdrawal of 62 Navy ships from service. But how could Mr Cheney, who only a few months ago expressed doubts about Mr Gorbachev's ability to survive, suddenly become Secretary for Disarmament? The plain answer is that he

has not. The canny former Congressman was playing to a domestic - not an international - audieoce. In effect, he had calculated that he had to appear willing to countenance cuts if he was to have any influence over next year's budget discussions with Congress. Indeed, on close inspection, there is less to Mr Cheney's proposals than meets the eye. Firstly, Mr Cheney's cuts in planned spending merely correct the unrealistic assump tions inherited from the previ-ous administration, specifically from Mr Caspar Weinberger, President Reagan's indestructi-ble Defence Secretary. The mismatch between planned spending over the next five years and Congressionally approved funds could amount to some \$180bn. Yet as Mr Larry Korb, a former Pentagon official and budget specialist at the Brookings Institution, points out: Planned spending cuts are

only paper cuts." Second, as the table above shows, US defence spending has been falling in real terms since 1985, when Congress finally put the brakes on the

dend" which can be spent by Congress ahead of next year's mid-term elections. In the coming months, Mr Cheney's main difficulty will be to prevent the budget pro-cess spinning out of his con-trol. He faces challenges from the armed forces, which in the past have fought to the last widget to protect their own programmes; and he faces a formidable tussle with Con

Defence – because it sup-plies jobs, plants, and bases to local communities – is more than simply a question of national security. Critics may argue that as an economic booster it is over-rated; but when it comes to votes for new weapons programmes, most nen find it hard to

TOP FIVE CONTRACTORS							
mpany	Main work	Total' Sm					
Donnell Douglas	Aircraft	\$8,008					
neral Dynamics	Aircraft	\$6,506					
neral Electric	Engines	\$5,803					
nneco	Carriers	\$5,068					
ytheon	Missiles	\$4.036					

apan and israel.

1985, Congress has been steering in a different direc-tion. While Democrats and Republicans acknowledge that Mr Reagan's policy of "spending the Soviets into the ground" seems to have worked, they now want to put more money into domestic programmes such as education and drugs control.

Third, for all the talk about cuts, the Bush administration will propose an increase in defence outlays - actual spending - in fiscal 1991. This is because large balances of budget authority (which allows government to sign contracts and pay bills when they come due) remain from previous years, and are, so to speak, "locked in." However, the rise in outlays amounts to a cut in real terms, and it foreshadows even deeper cuts in fiscal 1992. Hence the scope for manoeuvre this year is limited which in turn explains why Mr

Bush and Mr Cheney are now

desperately trying to play down any notion that defence

cuts will bring a "peace divi-

Under President Reagan, the politics of the defence pork barrel was elevated to a fine art. One Democrat Congressman recalls Rockwell Corporation showing how its B-1 bomber programme had subcontracted work to 48 states in the Union, thereby rendering it virtually invulnerable. The Strategic Defence Initiative -Mr Reagan's "Star Wars" plan for a partially space-based mis-sile shield against Soviet nuclear attack — went one better, developing an interna-tional network from Europe to

This year, Mr Cheney discovered how difficult it is to break the defence jobs nexus and set his own priorities. He proposed cutting several major weapons programmes including the V-22 Osprey high-speed helicopter manufactured by Boeing and Bell-Textron, and the F-14 fighter jet built by Grumman on Long Island. He won in the Senate, but was defeated in the House of Representatives, after a formidable lobbying effort led by the Texas and New York

Mr Sam Nunn, the influen-tial Democrat chairman of the Senate Armed Services committee, agrees that next year's challenge will be to look beyond the immediate fiscal constraints and make cuts in relation to the reduced threat from the Soviet Union. Hence his insistence on a realistic "threat assessment," coupled with an examination of how

the changes in Europe may affect the deployment of US forces overseas (including in Japan and South Korea). Similar futuristic thinking is underway among the major US defence contractors. Many have seen their shares shot down by panic selling in recent weeks, the result of misunder-

standing Mr Cheney.

The number of US companies who rely exclusively on the defence business is very limited. General Dynamics looks like an obvious excep-tion, but in fact it is highly diversified. Raytheon has been hit hard, but barely half of its business is directly related to the military. More threatened are companies such as Lock-heed, McDonnell Douglas (whose civil and military businesses have nosedived) and Northrop, whose B-2 Stealth radar-evading bomber costs more than \$550m per plane, Pentagon plans to buy 132 B-2s now look somewhat ambitious.

Mr Donald Atwood, the former General Motors executive who serves as Mr Cheney's deputy, has given several public warnings that "consolida-tion" in the US defence sector is not only desirable, it is inevitable. "Today's industry is too diverse," agrees Mr Gary Reich, Shearson Lehman Hutton's veteran analyst. There are too many companies, too much excess capacity, not enough programmes to go around This would have had to change even if Gorbachev

hadn't been invented." For mergers to take pl there have to be boyers. Many companies are wary, however, of purchasing defence businesses whose balance sheets have been severely stretched by the demands of funding weapons programmes during the Reagan military build-up

(some of which may now never materialise). Moreover, dealing with the Pentagon (and the 100-plus Congressional committees which claim jurisdiction over the Defence Department) is not every chief executive's chosen path to glory.

The long-term winners are likely to be those companies which are able to deliver the sophisticated electronics which the US military will need in the 1990s. (Some of these no doubt will be used to monitor the impending arms control agreements which Mr Bush and Mr Gorbachev seem so keen to clinch next year). Losers, particularly in a tighter budgetage enginement could budgetary environment, could be foreign companies. There will be tremendous pressure from Congress to Buy Ameri-can," says Dr Loren Thompcan," says Dr Loren Thompson, a defence analyst at Georgetown University.

For the moment, however, resident Bush, is looking at the shorter term; and here the twin forces of Gramm-Rudman and Gorbachev intersect.

At the Malta summit. Mr Bush agreed to accelerate negotiations with the Soviet Union at the Strategic Arms Reduction Talks (Start) in Geneva, with the aim of each Geneva, with the aim of each nide agreeing to cut its strate-gic nuclear arsenals by 60 per cent. At the same time, he is pressing the Nato allies to bury their differences so the West can reach a conventional forces agreement with the Warsaw Pact by pext year......

Why the hurry? At one level, Mr Bush wants to play pasce maker, seeking advantage from the Soviet Union's own desire to reduce military spending. But some also see arms control as the necessary impetus to shifting US military strategy which is still stock in the era that immediately followed the Second World War. Mr Bush's problem is that

under the pressure of Grammgress may start slashing the budget before a new defence policy can be agreed. Wouldn't it be ironic, speculates one mischievous senior official, "if the President had to raise taxes to prevent defence

### No rush to iudgement

■ The Press Council - the self-regulatory body of the British Press - has given its ruling today on a case relating to Susannah Lamplugh, an estate agent who was last seen in south-west London on 28 July 1986, and is missing, pre-

sumed dead.

Anyone who wants to appreciate how difficult and delicate these decisions are should read the ruling in full. Suffice it to say, however, that the question of what should or should not be published in a newspaper cannot be easily defined.

Shortly after Susannah Lamplugh disappeared, her parents entered into an agreement with Faber and Faber for the publication of a book about the circumstances. It was written by Andrew Stephen, then of the Sunday Times Magazine, more recently of The Observer newspaper.

Stephen and the Lamplugh parents very quickly began to differ about the interpretation of the story. Neverthe the book went ahead, accompa nied by a disclaimer saying that the parents disassociated themselves from the contents. although the royalties were payable to them or to the Suzy Lamplugh Trust - not to Step-

The complaint to the Press Council by the parents was not about the book, but about an article that Stephen subsequently wrote for the Guardian on the story behind the book. The article concerned matters that had been discussed by Stephen, the parents and legal advisers while the book was being written and which, it was thought, had been resolved

The Press Council did not receive the parents' complaint until five weeks after the article had been published. And the Editor of The Guardian did not receive details of the complaint until eight weeks after publication of the

article. When he did hear of

# **OBSERVER**

it, he offered to consider pub-lishing a letter "of reasonable length giving your comments and reaction". The Press Coun-cil ruling says that there is no evidence of the complain-ants responding to that offer.

The whole business then took 13 months of the Press Council's time to adjudicate Not surprisingly, in my view, the Council has announced today that the complaint is not upheld.
Others may disagree, but
I am glad to find the Press

Council saying that complainants are not always right and that there must be better ways of settling disputes than going through such lengthy procedures: like, for example, complaining at once.

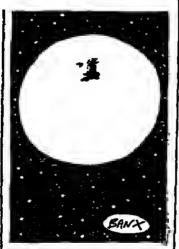
## Kaunda stays

■ Twenty-five years after independence, President Kenneth Kaunda has decided that Zam bianisation has its limits. The top job at the country's Central Bank is being given to a foreigner, Jacques Bussières, a Canadian seconded by his government.

Last month Kaunda fired Francis Nkhoma, the fourth holder of the job in as many years, amid allegations of cor-ruption. "Zambianisation has not succeeded in this particular area. We have learned the hard way and we must admit it," the President said last week in a televised interview with local journalists. to-five year training pro-

Bussières will launch a twogramme: "We hope at the end of this period the norms and ethics of central banking will be established," Kaunda said. Meanwhile, the President of Zambia stays put.

Treasury man This year's Treasury Christ. mas card is dedicated to



### Thatcher's Britain

George Joachim Goschen, Chancellor of the Exchequer 1887-1892. He was a director of the Bank of England at the age of 27, served - like Win-ston Churchill - in both Liberal and Conservative Cabinets as First Lord of the Admiralty, declined invitations to become Vicercy of India or Speaker of the House of Commons and ended his days as Chancellor of Oxford University.

In between, he resolved the Barings crisis, reduced the national debt and brought

down income tax to sixpence in the £. He also invented estate duty.

The card says that he "prac-

tised rigorous economy in the nation's finances while supporting important social initistives such as free education". It is, of course, possible that the card was chosen by Nigel Lawson, though it is signed by his successor, John Major.

Water, water ■ The "be an H2Owner" water privatisation has been the

### most complex of its kind so far, with 10 separate com being sold off in one go. Ten computers were needed at the offices of Schroders, the merchant bank advising the goverament on the sale, to work out how to allocate shares among the 2.7m people who applied. The computers, in a room called "the bunker", started whirring at crack of dawn on Saturday and finished late yesterday.

After the weekend's work, one of the advisers to the issue produced a number of T-shirts for those involved bearing the slogan: "Thank God it's all H2Over". No doubt someone is already working on a sparky slogan for the electricity priva-

### Last trek

■ Communism may be having its problems in the rest of the world; but it is alive and well in South Africa. While membership lists are shrinking east of the Elbe, the South African Communist Party must be unique in registering new con-verts every day.

When two Soviet academics

addressed a public meeting in Johannesburg recently -the first Soviet citizens to visit the country in over 30 years - they got short shrift from the local comrades for praising

When one questioner asked why they had refused to invade East Germany to protect socialism, Soviet imperturbability cracked: "If you had lived in my country as long as I have lived there, you would not ask such a question," said Prof Irina Filatova of Moscow Uni-

## Scotched

From a card to a Kensington reader from her husband who is on a fishing holiday in Scotland: "It has been so cold and windy that today I em in bed recovering from a slight case

# **FROM**

THE JEWELLERS, A COMMODITY MORE **PRECIOUS THAN** GOLD, DIAMONDS OR PLATINUM.

Does it ever seem to you that the pursuit of wealth allows you, by its very nature, too little time to enjoy it? Note, then, that Cartier have decided to restore a little of the proper balance of civilisation, on the Thursdays between now and Christmas, by remaining open until 8 p.m.

Open, some would say, for business.

Open, we prefer to think, for pleasure. For a relaxing glass or two of champagne. For an unhurried stroll around our distinctive jewellery, watches, pens and accessories.

Just this once in your working day, you can enjoy absolute freedom from pressure. Temptation, of course, is another matter entirely...

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175/176 NEW BOND STREET, LONDON WI. Late shopping with champagne on December 7th, 14th and 21st between 6 p.m. and 8 p.m.

# Hazel Duffy begins a series on Britain's changing Civil Service

hat could prove the most radical changes in Britain's civil service since the great 19th century reforms are now firmly under way. Ten of Whitehall's new semi-independent civil service agencies have been set up since the plan - known as the plan - known as

her blessing to the plan - known as Next Steps - in February 1988.

These are mostly small fry, from Companies House, which documents all company returns, to one which manages the Historic Royal Palaces. By next summer however there

manages the Historic Royal Palaces. By next summer, however, there should be 20 agencies, some big.

The Employment Service, which runs the job centres and the unemployment benefits offices, will become a Next Steps agency under the Employment Department. An information technology agency will be created to handle the computing and communications of the Department of Social Security (DSS). This will be followed by the Benefits agency, which will also come under the DSS.

Within a few years, 75 per cent of

Within a few years, 75 per cent of government business could be carried government business could be carried out in agencies, which will have a degree of independence from their parent departments. They will agree objectives with the departments but be free to spend their budgets without constant recourse to Whitehall. They will recruit their own personnel and, in some cases, pay them as they see fit. Her Majesty's Stationery Office — HMSO, the government printers — is already negotiating a separate pay already negotiating a separate pay and grading structure.

Discreet power games are taking place as civil servants haggle over who will make policy and allocate resources. The division of responsibilities between the agencies and their departments will determine whether the Next Start water and their departments. the Next Steps programme marks a decisive change in the way the civil service is organised. If the depart-

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ments hang on to more responsibility than is necessary, the change will be more cosmetic than real.

"The real change will affect the departments, what is left of them. departments, what is left of them, much more than the actual agency," says Mr Peter Kemp, who heads the small Next Steps project team in the Cabinet Office. "The agency will go on, but the department has got to change its ways. They will have to stand back and trust in the people they appoint to the agencies." they appoint to the agencies."
Whitehall officials admit to a rise in

"tension" as frameworks for the agen-cies are drawn up. "The tensions come when you try to write it down," says one official engaged in the nego-

Departments are used to fighting their corners, and baitling with the Treasury. But this time, the stakes are high: nothing less than the way things are done in the civil service. One of the potentially contentions areas is policymaking. Should the agency be purely executive, or have some policy responsibility? The man-darins have always cherished their role of giving policy advice to minis-ters, though in recent years they have

# Between radicalism and tradition

had to share it with other ministerial advisers. Now the chief executives of the higger agencies will want to grab a share of policymaking. They say their experience can result to better

So far, the competition has not been a problem because the agencies have not stepped on sensitive toes. Mr Stephen Curtis, chief executive of Companes Curus, one of the agencies set up by the Department of Trade and Industry, says he is part of the policy process. "We are one of the parties making suggestions in relation to cur-rent changes to company law." Employment policymaking could be

more contentions. Mr Mike Fogden, chief executive designate of the agency the Employment Service will become, was in the middle of unitying the administration of the jobs centres the administration of the jobs centres and the unemployment benefits offices when Next Steps was published. It is a fair bet that he will wish to be involved in policymaking. His agency is to some ways a special case, however. The Employment Service already enjoys a degree of independence. For its clients' sake, it has attempted to distance itself from the hyperpressite in second.

the bureaucratic image of government, its role is to get people off the unemployment register, either into work or training. Politically, it has an important part to play in getting down the unemployment figures. The Social Security Benefits agency

looks likely to conform to a more conventional split between the department – which will take responsibility for policy – and the agency, which will look after administration and

will look after administration and dealings with the public.

The Social Security Department embodies all that is traditional and hierarchical in the civil service. It has also been through a major policy review on benefits, which has now been implemented. Another big policy change before the next general election is not in prospect. Therefore the Benefits agency can be cast firmly to the operational mould. The power will remain at the centre.

remain at the centre.
Mr Nick Montagu, principal establishment officer at the DSS, is helping to set up the agencies. "In any organi-sation, whether here or in Marks and Spencer, there are tensions between ranches and head office," he says. "We do not want the agency to be cut off from policy." He stresses that agencies will evolve. "The Benefits agency in 1991 will not have all the freedoms and discretions that will be there five years later." Some observers believe that refusal



to cade power to the planned Benefits agency would result in a compromise ill-suited to unleashing the latent managerial energy referred to in the Next Steps report. They say that giv-ing agency chiefs responsibility with-out power will only frustrate them. A second issue at stake is the finan-cial autonomy of the new agencies. The Royal Mint and HMSO had already been set up as trading funds, which means they can carry over profit from one year to the next. Legislation to allow more trading funds is promised to this Parliamentary ses-

Other bodies have more limited financial freedoms. Some have the authority to juggle funds between various pots - like salaries and accommodation - within the year. But most cannot tide over any money saved on an annual basis, if they do have money left over, the "mad March spend" starts in a rush to spend before the end of the financial

The creation of agencies has forced the Treasury to grapple with relaxing these rules while retaining control over public spending. It looks as if most agencies will be given the freedom to carry over their surpluses from year to year.

from year to year.

Initially, the Treasury had its donbts about Next Steps. More recently, it has held out a helping hand to the new agencies. Officials in some departments which are setting up agencies have even been asked by the Treasury. "Do you think you are going far enough?"

Two years ago, the Treasury recap-

Two years ago, the Treasury recap-tured from the Cabinet Office the lead responsibility for running the civil service. Much of its effort has been concentrated on pay. Performance pay now covers almost all the non-industrial grades. Pay agreements which offer considerable flexibility have been introduced for senior

One question for the agencies of the future is: how much responsibility will they be given for the pay and conditions of their own staff? If this freedom is extended to the bigger agencies, the uniformity of civil services would be applied to the staff. vice pay and conditions would be eroded. The argument in favour turns on the issues of flexibility and efficiency. Despite the spread of computers in the civil service, much of government work will continue to be predominantly clerical. The costs of

predominantly elerical. The costs of that are enormous – and so are the rewards for for efficiency or penalties for poor management. Total running costs of the benefits agency will be in the order of £2bm a year.

The Next Steps reforms are the latest stage in a series of changes the Government has made. At first, Mrs Thatcher's efficiency drive formed on Thatcher's efficiency drive focused on cutting overstaffing. The technique was often crude. It demoralised the clerical staff in particular, and also

clerical steff in particular, and also some senior civil servants who thought they did not have the resources to do a decent job.

The Financial Management Initiative, which followed, was more sophisticated. Delegated budgets were all the rage. It is now accepted in Whitehall, however, that in these stages too much attention was pedd to financial matters and not enough to management. The agencies promanagement. The agencies programme is in part a response to that

gramme is in part a response to that concern.

Other forces for change are also at work, dictated by outside factors:

Whitehall is undertaking large-scale relocation. Eighty per cent of civil servants already work outside London, partly as a result of the 1960s and 1970s relocations, which were almost entirely of the departments' paper-processing "back offices." In the 1990s, they will be joined by most of the headquarters jobs. One side effect will be to accentuate the division between administrative work based in

will be to accentrate the division between administrative work based in the provinces — from where most of the agencies will be run — and policy work, based in London.

Like big companies, the civil service realises that the "career for life" is out of favour with young people. The holes in staffing will be filled by more exchanges with the private sector at middle management level, more women and more part-timers. The agencies are part of this process. So far, the chief executives of the agencies have come mostly from the civil service. There need to be outsiders service. There need to be outsiders filling these jobs as well. The Treasury is keen that jobs should be advertised nationally, and to bend the rules so as to pitch salaries where outsiders will take them.

Agencies are the key to far reaching changes in the civil service. They are being watched with close totarest by governments worldwide, equally keen to cut costs while not making unpopu-lar cuts in public services. But it is still not clear whether civil service caution will cripple the project's radi-

· Other articles in this series will apear on the UK News pages.

# LOMBARD

# How not to treat young engineers

By Max Wilkinson

uates uncovered by an extensive survey published last

Can it really be that manufactoring companies have learned nothing in the 30 years since I presented myself with great expectations and a cheap slide rule at the Stygian gates of Associated Electrical Industries in Rugby? The lessons were so obvious then. They have since hear reinforced by have since been reinforced by many studies and the defection of thousands of dissidents of which I was only one.

Then, as now, a shortage of engineers followed a period of industrial growth. Those war bables with maths A levels were in a comfortable sellers' market, so I was able to turn down the General Electric Company's offer to pay for my university training in favour of AEL ("We know little of Weinstock," the careers man advised, "but AKI is a sound British company".) On such terms, the chance to study in the glorious tradition of Brunel, Whittle and the heroes of radar seemed a fine thing to a school-leaver.

But the six-month pre-uni-versity "work experience" was flasco, and it seems not all that untypical, even by today's standards. About a dozen of us, beads still vaguely buzzing with theoretical physics and the mysteries of infinite series, were sent off at once to file bars of metal for a week or three; time slowed to a crawl in the apparentice training shop where grime on the high win-dows dulled natural light to a yellowish stain; and we all longed for the steam whistles to wail out the daily release. Filing was followed by a week or so bashing copper discs into quite pleasant concave shapes, but I soon realised that this was not my vocation

to life either. Then came weary months making, measuring, discarding and remaking test pieces on elderly lathes and milling machines which must have been retired from active service long before.
All splendid discipline, no

doubt, if there had been more meat in the stew. During trips to the tech we released maths

I FELT A strange sad fellowship with the ranks of disillusioned engineering graddifficulty, and then the climax: a block diagram of the manage-ment structure. We learned almost nothing about what graduate engineers would actu-ally do – or be paid . Our minders in Personnel were steadfastly vague, and I began to believe, with a sick foreboding, that they did not actually know. But the main defect, which it

seems still afflicts a new generation of graduates, was the failure to inspire. Like most 18year-olds we were eager for a bugle call, at least to some higher cause, be it only the glo-rious defeat of Arnold Weinstock (though history was to award him the laurels). Surely, we might have been given an hour or more with some young engineers bubbling with the excitement of building turbines ten times the power of their pre-war predecessors. A mere glimpse of the maths would have spurred us, or perhaps a few prescient remarks about the amazing power of computers, or some words with the sales director off to thrash the upstart Japanese in a distant market. Did these people exist? Or was it all like Kafka's Castle, a hum of directionless activity? We never discovered; and many of us did not return for an answer.

Perhaps poor deceased AEI was a sorry exception? It seems not entirely; last week's survey by Imperial Ventures turned up all the familiar complaints and above all the general fail-ure in Britain to acknowledge the importance and status of engineers for the betterment of society, in sharp contrast with the tradition in France, West

Germany and Japan.
But now British companies are asking with renewed anxiety: "Why don't engineers love us any more: why don't sixth formers court the engineering faculties?" The answer, according to the survey, is unambiguously clear: "Because you don't treat them right." The remedy is equally obvious, though it will take time; pay them more, Respect, status and improved training will follow slowly, and maybe at last, better corporate

since. Employment has risen to record levels and, according to

a survey of consumers this year, there has been a per-ceived improvement in the

quality of what we produce. Export revenues (excluding oil)

have been particularly buoy-

This shows what can be achieved when employers are free to build pay structures that suit their circumstances, and to pursue wage settle-

ments that are financed by real improvements in performance. The link between pay and per-formance is still not strong

enough to ensure that in all cases unit labour costs fall

year by year, as they must in a competitive world. But it is a great deal closer than was

achieved when pay norms dominated economic thinking.

To say this is not to underes-timate the difficulties of main-

ment only in that way can we move to a position where unit

labour costs can invariably fall year by year. That link must be made right across the ecou-

omy, in the manufacturing and service sectors. We are making

It is not going to be easy in the present circumstances to

maintain the progress. But our members' task would be made

infinitely more difficult if the

Government, or the CBI as Mr Prowse suggests, were to spec-ify some figure for pay rises

that would be wholly inappro-

priate to the trading circum-

stances of many enterprises. This would immediately be

viewed by every trade union as

an entitlement requiring no

matching effort to finance it. John Banham,

103 New Oxford Street, WC1

## Wage control

From Mr Peter Stenesi.
Sir, Michael Prowse calls for more leadership from the Confederation of British Industry on the issue of controlling annual wage increases (Decem-

It would help matters if the Government, as the nation's largest employer, gave a firm lead and also kept under control those wages for which it is responsible.

Peter Sienesi,

Unit 1, Britannia Way, Coronation Road, NW10

### Each-way bet

From Mr William Druke. Sir, The conflict of interest in bids to which Mr Van Hoorn refers (Letters, November 28) can largely be avoided by the use of stub equity; in addition to the cash consideration, venders are supported by the process. dors receive a highly geared equity participation in the new venture. If the market value of venture. If the market value of the new company rises sub-stantially, vendors will see a spectacular gain in the value of the stub equity. If the new ven-ture is unsuccessful, the stub equity will not be worth much, but the vendors will be com-forted by the knowledge that the buy-out was not done too cheanly.

cheaply.

This each-way bet was used to transactions in the buy-out of Magnet and Gateway, and can easily be laid on sales of subsidiaries. Had this been done to the case of UK Paper, Bowater shareholders would have short changed. feel less short changed. William Drake,

### Director, Granville & Co. 77 Mansell St., E1

### Bolt the door

From Mr M.W. Ahearn.
Sir, The FT has fallen for the ill-informed ramblings of the anti-hacking lobby.
Your claim (leader, December 4) that voice recognition can offer a 99-per-cent security species rate is not only smithsuccess rate is not only ambi-tions, but disingentions in that it implies that password con-trol is less effective. Intruders succeed because of

bad business practice, not poor security options. However many locks are on it, if a front door is left open, someone will enter to steal the video. M.W. Ahearn,

Rosobaird Committees Ltd. 202 Demesne Road, Wallington,

# Pay tailored to productivity

From the Director-General of the Confederation of British

Industry.
Sir, Michael Prowse (article 4 December) suggests that Brit-ish employers are slavishly fol-lowing a going rate for wage increases of some 9 per cent. He also suggests that we at the Confederation of British Industry should be leading them to a united stand at a lower figure such as 6 per cent, rather than peddling the line that pay increases are fine so long as productivity also rises.

This has the dreadfully familiar ring of the franchient Corporate State mentality. For the best part of 30 years, suc-cessive Governments sought by fair means and foul to jole employers towards a set figure for pay rises year by year regardless of whether they had been earned or not: The result was a low-pay, lowproductivity economy slipping gradually but continually down the league of toterna-tional competition.

It is only since the trading sector struggled free of the going rate mentality that we have at last started to regain international competitiveness. Employers are constantly bal-Employers are constantly bal-ancing the need to pay no more — and no less — than is required to attract and keep people with the necessary skills and commitment against the imperative that pay growth must be fully justified by improvements in performance. Increasingly, they are achiev-ing this by individually tai-lored packages rather than some collective negotiating norm.

CBI's pay databank now shows employers settling at a wide range of figures, from less than 2% per cent to over 10 per cent, reflecting the differing requirements of differing cir-

Performance improvements to help finance pay rises are being achieved. Since 1980, our manufacturing productivity has risen by some 60 per cent over-all, a faster rate than the average of our main international competitors - with a wide range of performances as between one employer and

CBI data indicate that over the first half of this decade almost two-thirds of all firms linked pay to productivity in a

# German lesson

From Mr Ronald Furquiar.
Sir, There is something wrong with David Goodhart's history — not to speak of his positive way and the process has continued as strongly geography - if he believes that the Sudetenland was part of Germany for many decades before the Second World War (article, November 15). The Sndetenland never

belonged to the German Reich, but was part of Austria until 1919, when the Treaty of St Germain transferred the region to the new state of Czechoslo-vakia. Nazi Germany annexed the territory under the Munich Agreement of September 1938, and Czechoslovskia recovered it in 1945 at the end of the war. Ronald Farquhar, 26 chemin Frunçois-Lehmonn, 1218 Grand-Saconnez,

# Ars gratia artis

Sir, One day an article comparing a recent squalid film to a work of Rembrandt (October 12). Another day your television critic compares a work by a "leading television dramatist" to a Van Gogh. They are all "great art," it seems. Meanwhile, Michael Prowse (November 39) seeks to reduce still fur. timate the difficulties of maintaining progress towards an internationally competitive manufacturing base. With poorer prospects in the domestic market, manufacturers are having to redouble their export efforts to the search for the growth necessary to cover investment costs under a high interest regime. That is why the CBI has been emphasising that pay rises must always be linked to productivity improvement only in that way can we ber 29) seeks to reduce still fur-ther our "flitist" education ther our "flitist" education standards by destroying A-lev-els. The FT itself sets high standards; what a pity thet here it should align itself with some of the most reductive ten-dencies to English life. Thank God, at least, for your visual arts critic, William Packer. F. Spooner. F. Spooner.

### Corfe Castle, Dorset

Floating tactics this the theme of our advice to members; there can be only one going rate; it is for unit labour costs, and it must be From L.T. Smith.

Sir, Clearly, the UK Chancel-lor takes advice from the "Grand Old Duke of York," who has been marching 10,000 men up and down the hill for centuries. When currency spec-ulators decide to attack sterling, they should be allowed to do their worst. Then, when they are out of breath and most at risk, the reserves should be brought up and their

pensions put in peril.

Enoch Powell, who invented
the floating rate, should be persuaded to explain the Government's tactics with the clarity only be can command. L.T. Smith. 23 Markham House,

Euromoney Publications made record profits, record earnings and proposes to pay a record dividend for the year to September 30.

Net profits before tax rose by 12 per cent to £7,453,000. Operating surplus advanced slightly to £5,296,000 and earnings by 2.66p to 24.02p a share. A final dividend of 101/2p makes 16p a share compared to 14p for the previous year. The worldwide fall in financial advertising hit revenues which fell by 5 per cent to £27 million.

We are spending more on acquisitions and we continue to invest in new magazines and services.

We have bought three publications --Petroleum Economist, Countertrade and Barter and the FT Euromarket Letter as well as options to buy Century House Information Limited, publishers of the magazine Corporate Location Europe.

In November, Euromoney purchased an intermediate lease on Nestor House, the company's principal premises, for £1.34 million. This is already adding to our profits.

We have embarked on a joint venture (Euromoney Axxess) with Finexis Inc. to market financial software, both in the U.S. and internationally. A new venture, the Euromoney Screen Service, will offer three services on Reuters screens.

In October 1988, we launched LatinFinance, which is published in Miami. It made a good profit in its first year. September saw the first number of Asiamoney from our Hong Kong office and our latest magazine, International Tax Review, made its debut in November. They have begun well.

Of our monthly magazines, Euromoney, International Financial Law Review, Trade Finance, Leasing Digest, Airfinance Journal and Global Investor enjoyed record years while Euromoney Digest, our Japanese language magazine, Treasury Manager and Corporate Finance made useful profits.

We held major conferences in Frankfurt, Lisbon, London, Zurich, Seoul, Copenhagen, Tokyo, Mexico, New York, Amsterdam, Bangkok, Toronto, Milan and Warsaw - our first conference in Eastern Europe. This division arranged 52 seminars worldwide.

We published 21 books, four year books and three directories. This division also made a major contribution to profits.

Euromoney Institute of Finance, our training business, was our fastest growing division. The Institute ran 64 courses, of which 23 were in North America. The number of training days rose from 99 in 1988 to 242 in 1989.

Our five databases had another successful year and we are about to launch two new databases.

We had more than £18 million in cash at the year-end and will continue to invest in new products and services. We are always searching for acquisitions to which we can add value.

The above figures have been extracted from the audited consolidated accounts of Euromoney Publications PLC for the year ended 30th September 1989 on which the auditors have issued an unqualified audit opinion. The full report and accounts will be filed with the Registrar of Companies in due course and can be obtained from the Company Secretary, Paul Hewitt, Nestor House, Playhouse Yard, London EC4V 5EX.

The contents of this advertisement, for which the Directors of Euromoney Publications PLC are solely responsible, have been approved for the purposes of Section 57 of the Financial Services Act 1986 by Ernst & Young, a firm authorised by the Institute of Chartered Accountants in England and Wales to carry on investment business. We are required to inform you that past performance is not necessarily a guide to the future.

# **EUROMONEY PUBLICATIONS PLC**

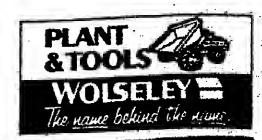
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Janet Bush on Wall Street

# SIA chips back into the fairway

FOR the last two years, the annual meeting in Florida of the Securities industry Association, an extravaganza of cocktail parties and golf, seemed rather to miss the main event. In 1987, the merger between Shearson Lehman and E.F. Hutton was announced in New York. In 1988, evidence of a iack of serious discussion material came in the choice of Tom Wolfe, author of The Bon-

fire of the Vanities and satiric scourge of Wall Street, as the keynote speaker. This year was different. Suddenly, the SIA made its relevance felt again, for a simple reason — it finally dropped its long resistance to repeal of the 1933 Glass Steagall Act, which

separates commercial and

investment banking. Its previous stance was understandable because the SIA has the unenviable job of representing an enormously diverse industry. Nevertheless, its battle against dismantling Glass Steagall had made it look defensive and out-of-step with a fast changing financial world. Not only that but its fight through the courts against expanded bank powers

authorised by the US Federal Reserve was largely fruitless. Three hig Wall Street houses – Goldman Sachs, Mor-gan Stanley and CS First Boston - took the initiative, drafting a policy document for the SIA which was passed at the conference.

At the least, dropping SIA's opposition to expanded banking powers sends a message to Congress that a significant obstacle has been removed.

Progress from here may be slow, not least because the SIA's new proposal, while con-ceding that banks should be allowed to engage in securities

activities, also exacts a price.

Bank holding companies would be allowed to form investment banking financing companies" to own and finance securities subsidiaries bnt these would not be allowed to enjoy the protection of federal deposit insurance.

In exchange, securities houses want to be allowed to own commercial bank subsid-iaries and, at times of "general-ised liquidity crisis," to borrow directly from the Federal Reserve discount window. They argue that if banks are competing with them directly securities houses would not be

able to rely on them to provide funds during a credit crunch.

The other big plank of the SIA proposal is that there should be functional regulation. The Securities & Exchange Commission would regulate the securities subsidiaries of banks.

There are three main areas of potential contention. First, banks will likely argue that it will be too expensive and inefficient to run their securities activities without cheap, federally insured funds.

Second, the question of functional regulation raises the spectre of the same old regula spectre of the same out regula-tory turf battles which stymied efforts at reform during the last Congress, particularly in the House of Representatives where regulation of banking and the securities industry is split between committees.

Third, the SIA proposal still sees the question of structural reform as a two-way street, including only banks and securities houses in the debate. It leaves out the thorny question of insurance companies and does not take into account hybrid financial services companies and link-ups.

The Financial Services Coun-

cil, a coalition of financial institutions, helieves that structural reform must be much more comprehensive if the US is going to compete

Mr Sam Baptista, FSC president, said: "What we need is not a two-way street but a traffic circle which any type of institution can enter at any point and exit in any direc-tion." He means entities like Barclays Bank, which carries out its securities business through Barclays de Zoete

This proposed legislation, thought too radical two years ago, is now receiving some attention in Congress. Repubican Frank Annunzio, chairman of the House Financial Institutions in the hold hearings are to hold beginning. tions, is to hold hearings on the bill in the spring.

Mr Baptista said that Congress is getting increasingly worried that the current structure of the financial business makes the US uncompetitive with the rest of the world but remains frightened about the political hoo-hah involved with

radical change.
Still, if the Berlin Wall can be torn down over a weekend, surely Congress can start dismanthing the restricting barriers between different providers of financial services.

# Thatcher denies isolationist role

MRS Margaret Thatcher, the British Prime Minister, wili tomorrow seek to reassure Conservative MPs that she is not taking an isolationist role in the European Community and that she intends to ensure British participates fully in the Britain participates fully in the

next stages of its development.
The European summit,
which ended on Saturday, marked an important atep towards the establishment of economic and monetary union (Emu), with a decision to convene a treaty-amending conference in December next year. The decision was taken

despite objections by Mrs Thatcher, who nevertheless made clear that Britain would play a full part in the negotia-tions. She was also overruled by the other 11 member states when they adopted a Commu-nity social charter protecting workers' rights.

There were some indications last night that, despite Mrs Thatcher's rejection of the charter and her resistance to the next, planned steps towards Emu, her performance at Strasbourg, with her marked change of tone and more con-ciliatory approach, will be wel-come within sections of the

However, with the latest opinion polls suggesting that the Government's approach



President Mitterrand, the summit host, said at the close of the meeting on Saturday: "Henceforth there is no longer a Europe in two parts acting in the shadows or at the initia-tive of the two superpowers."

increasingly unpopular, some Conservative MPs remain dis-mayed at Mra Thatcher's refusal to be seen as a more enthusiastic proponent of moves towards greater co-oper-

ation and integration.

Mr Douglas Hurd, the Foreign Secretary, claimed at
Strashourg that there was
near-unanimity in the Conservative Party over central issues such as the social charthe Government's approach ter and monetary union. But towards Europe has become he recognised the need for the

leadership to mount a more the EC oceds to bind West Gerpersuasive campaign to state

Mrs Thatcher intends to drive home her support for closer links with other Euro-pean Community partners, but she will insist that Britain will not participate in any prema-ture EC initiatives which might undermine Westmin-ster's own powers and which could harm Britain's own

The Prime Minister was. however, already under attack last night from the opposition parties. Mr Gerald Kaufman, the shadow foreign secretary, said Mrs Thatcher had ensured that British interests would not be properly considered in moves towards economic and conetary union.

Last night there was confi-

dence among British officials that, although Britain had been in a minority of one in Strasbourg oo the issues of the social charter and Emu, there would be ample opportunity to influence events during the

deliberative processes At the summit, the Emu ini-tiative was matched by a decla-ration on central and eastern Europe which laid down important pre-conditions for any move towards the reunification of the two Germanys. France and other Commu-

many more closely into West-ern Europe in the face of the emerging liberalisation in East-ern Europe, and to strengthen its internal structures so as to be able to help reforming states in the East.

The formula on German recoification, agreed after some tense exchanges between heads of government, recognises the right of the German people to "regain its unity through free self-determination." But it stressed that this could only take place "peace-fully and democratically", and in a manner which fully respected the four-power agree-ments on Berlin as well as the 1975 Helsinki Final Act that sanctioned post-War European

The summit agreed in princi-ple that the Community should set up a European Bank for Reconstruction and Develop-ment aimed at helping economic recovery and market-oriented reform in eastern Europe.

The Community also endorsed the idea of giving the Soviet Union observer status in the Gatt international trade hody, a proposal already hacked by President George

Strasbourg Summit, Page 3 nity members have argued that Editorial Comment, Page 14

# Commitment to stability underlined

THE FOLLOWING are key extracts from the official version of the final statements issued by the 12 European Community leaders at the end of their two-day sum-

• Eastern Europe: "These are historic events and no donbt the most important since World War Two . . .

"The European Council is convinced in the present circumstances that all must, more than ever, demonstrate their sense of responsibility. The changes and transitions which are necessary must not take place to the detriment of the stability of Europe hnt rather must contribute to strengthening it.

"Far from wanting to derive unilateral advantages from the present situation, the Community and its member states mean to give their support to the countries which have embarked upon the road to democratic change. They deplore all the more so that in certain countries this

process is still hindered.
"The Community and its member states are fully conscious of the common responsibility which devolves on them in this decisive phase in the history of Europe. "They are prepared to develop with the Soviet Union and the other countries of central and eastern Europe, and with Yugoslavia, in so far as they are commit-states, the Community and the European fully with this democratic requirement."

ted to this path, closer and more substan-tive relations based npon an intensification of political dialogue and increased co-operation in all areas . . ."

• German Reunification: "We seek the

strengthening of the state of peace in Europe in which the German people will regain its unity through free self-determi-nation. This process should take place peacefully and democratically, in full respect of the relevant agreements and treaties and of all the principles defined by the Helsinki Final Act, in a context of dialogue and East-West co-operation. It has also to be placed in the perspective of European integration . .

Creating a European Bank for Reconstruction and Development: "Its aim will be to promote, in consultation with the IMF and the World Bank, productive and competitive investment in the states of central and eastern Europe, to reduce, where appropriate, any risks related to the financing of their economies, to assist the transition towards a more market-ori-entated economy and to speed up the necessary structural adjustments.

"Tha states of central and eastern Europe concerned will be able to participate in the capital and management of this bank in which the (EC) member Investment Bank will have a majority holding. Other countries, and in particu-lar the member countries of the OECD, will be invited to participate. The European Council hopes that the European Bank for Reconstruction and Development will be set up as soon as possible. The European Council requests that the necessary steps be taken to ensure thet negotiations are opened in January 1990."

• Economic and Monetary Union (Emn):

"Following a discussion on the calling of an intergovernmental conference charged with preparing an amendment of the treaty with a view to the final stages of Emu, the President of the European Council noted that the necessary majority existed for convening such a conference under article 236 of the treaty.

That conference will meet, under the auspices of the Italian anthorities, before the end of 1990. It will draw up its own agenda and set the timetable for its pro-

The European Council emphasised, in this context, the need to ensure the proper observance of democratic control in each of the member states. With a view to the new term of the European Parliament, which will begin in 1994, it calls for Economic and Monetary Union, to comply

# THE LEX COLUMN

# Back to earth after water

At first sight, the undoubted success of the water flotation seems to cast the remainder of the privatisation programme in the privatisation programme in rather a new light. Only a few months ago, the general public was hostile to the whole notion. As soon as it became apparent that it involved something for nothing, opposition died. died away. The number of applicants has been the second largest ever for any privatisation, behind British Gas and ahead of British Telecom.

But the only formal candi-date left for privatisation is electricity, which is a very different proposition. Structurally the sale of water was easy, with the hits easily detachable one from another. The struc-tural problem of electricity is enormous and of central importance; get that right and the sale takes care of itself.

At the root of the problem is the guiding principle laid down in the Government's White Paper that electricity privatisa-tion should take place on terms which ensure competition. The Government's advis-ers seem united in opposing that, on the grounds that if the generating companies in particular do not have contractual stability for the foreseeabie future it may not be possible to

write the prospectus.
On the other hand, the most important bit of the exercise, the creation of two generating companies, is a fait accompli. It no longer seems probable that the sale can be halted, it will simply be on the non-competitive terms imposed by the market. Anything can be sold at a price; whether any wider pur-pose is served is another mat-ter.

### Lovell/Higgs

Now that the brick-dust has settled over Y.J. Lovell's 405p per share run at Higgs and Hill, one thing is manifestly clear. Precise indicators of the going rate for builders of Higgs's quality may not be easy to find; but there is no reason why the stock market should let Higgs go to Lovell at any price less than 10 times current earnings. That was the multiple paid by Singapore Land last March for 15 per cent of another contractor, Rush & Tompkins, with a record of success much briefer than Higgs's; and on that basis Higgs looks to be worth some-

Not that this takes us very far into the question of whether Higgs should atay independent as a matter of principle. Here, Higgs has some powerful friends. It is

Higgs and Hill Share price relative to the FT-A Contracting, Construction Index 200 5 100

1979 81 83 85 87 89

striking that City of London developers such as Mr Stuart Lipton and Hammerson think Higgs is much better off as it rings is much better on as it is, such is its reputation as a punctual, trouble-free City huilder. Nor do Lovell's arguments, that Higgs is not yet prepared for a reshaped construction industry in the 1990s, seem to ring true. At 405p, Lov-ell's bid seems to put scant financial value on Higgs's 14 per cent stake in Regalian's huge Paddington station devel-opment; neither does it give Higgs's management credit for going in on the deal in the first

The most pressing concern, though, is that Lovell could be biting off more than it can chew, its balance sheet is only 44 per cent geared; but as one would expect of a contractor/ developer, it is responsible for at least another £40m of debt in more than 20 off-balance sheet associates. This is an issue about which Lovell needs

### Corporate bonds

Creating a UK corporate bond market to fill the gap cre-ated by the disappearing glits sector has been a slow process.
After all, the 1960s have seen the cult of the equity; institutions have simply replaced their declining gilt holdings with shares rather than search for a fixed interest substitute. Even those which might have wanted to build up a corporate bond portfolio have found that the liquidity problem bedevilling many equity stocks is dou-bled in spades in the bond mar-

The inverted yield curve has at last acted as a spur to corpo-rate borrowers, and outstanding non-gilt debt is now a record £37bn. But the Hoylake bid for BAT caused one market sethack as investors worried about event risk. And recently spreads between corporates and gilts have widened by

some 40 to 50 hasts points to reflect the greater perceived credit risk arising from a 1986 credit risk arking from a 1985 coonemic downturn.
Investor Interest could be rekindled if 1990 is a bad year for corporate earnings and if a wave of rights issues starts to take the edge off institutional conthusiasm for equities. The prospect of cnd year cuts in interest rates would then ship many investors into fixed.

many Investors into fixed interest stocks - Phillips & interest stocks - Philips & Drew are looking for a return on gits of 15 to 18 per cent. But to create depth, the marker may need to supplement the current good supranational names such as Sweden and the World Bank with the emerging privatised ntilities.

### Demutualisation ...

Pundits used to argue that every financial institution in Europe would want to gobble up a UK insurer, for the sake of the superior know-how the British were believed to have. Judging from last Friday's intriguing flotation of the Trygg-Hansa insurance group on the Stockbolm bourse, the theory was bunk. Trygg-Han-sa's decision to turn its non-like operation from a mutual into a shareholder-owned company by handing out free shares to 930,000 customers is considera-bly more creative than any-

thing seen recently from the British as 1992 looms closer. Not that the Trygg-Hansa flotation is necessarily a per-fect deal in all respects. One reason for a listing was to get access to capital, to help fund expansion: this may or may expansion: this may or may not be a good thing, given the excess capacity which the industry is awazh with already. Trygg-Hansa wants a direct-selling unit-linked life operation when that becomes legal in Sweden next year; and to help it service Swedish industrial companies abroad, it might buy a smallish non-life insurer in West Germany or

The Trygg-Hansa flotation's redeeming feature is the con-cept of demutualisation by way of a free share issue. Sooner rather than later, many of the UK's mutual life insurers will realise that they need risk capital to survive, to pay for technology or preserve their sales networks. In this respect, Trygg-Hansa offers something of a model. But if the UK is to the Department of Trade and Industry's somnolent insur-ance division to offer the kind of encouragement which Trygg-Hansa apparently received from the Swedish gov-

# Anti-apartheid groups divided over talks

By Patti Waldmelr in Johannesburg

DIFFERENCES between rival anti-apartheld gronps pre-vented the largest black political conference ever held in South Africa from achieving its aim of uniting opposition forces against the Pretoria Government at the weekend.

It was the most significant black political gathering — with 4,500 delegates — in South Africa since the so-called

sions was particularly damag-

"Congress of the Peopla" in Coming on the eve of a United Nations special session on South Africa which begins tomorrow - and at which anti-apartheld groups had hoped to present a united front - this evidence of diviUnity was further jeopard-ised by the fact that some lead-ing opposition groups stayed away from the conference, including Inkatha, the Zulu political movement headed by Chief Mangosnthn Buthelezi, which claims 1.5m members.

The two main groups at the conference - the Mass Democratic Movement (MDM), a multi-racial alliance which is probably the largest anti-apartheid group in the country and the Black Consciousness Movement (BCM), a smaller and more politically radical organi-sation - managed to avert a

Their divisions were barely concealed, however, especially over the issue of whether to negotiate with the National Party Government to end the country's political crisis. The main aim of the conference was to agree a united position on negotiations, at a time when Pretoria is pressing black

groups to begin talks.

Toward that end, the conference voted to adopt the so-called "Harare declaration" drawn up last August by the African National Congress (ANC), the exfled organisation closely allied to the MDM. The declaration sets out pre-conditions for talks and ontlines a new constitutional future. Black Consciousness dele-

ites failed to endorse the declaration, however, saying they accepted it only as a "recommendation" for further talks. Conference organisers stress

that the BCM did not actively oppose the declaration, choosing instead not to vote on it at all. But their failure to support it will weaken the case of the ANC, which is pressing the UN to adopt the document as a hlueprint for a solution. Leaders of both organisa

tions yesterday labelled tha conference a triumph. Busi-ness was concluded in a spirit of unity unprecedented in any gathering with such a dispa-rate array of organisations," said Mr Murphy Morobe, an MDM representative.
In one of its more significant

achievements, the conference agreed to launch a campaign for a directly-elected constituent assembly to determine the country's future.

# Gorbachev bolsters post

**WORLDWIDE WEATHER** 

Continued from Page 1

Yet the Soviet leader some-how managed to win the appointment of a key political ally, Mr Ivan Frolov, the new editor of Pravda newspaper, as a full secretary of the central

But he had to accept the election of Mr Vladimir Ivashko, the new and fairly conservative party leader in Ukraine, as a full member of the Politburo – a position which normally goes with the

Mr Boris Yeltsin, the Communist Party rebel, said yester-day that it was the most conday that it was the most con-servative of all the aeven plenary meetings held during the year. He strongly criticised Mr Gorbachev for himself giv-ing in too much to his attack-

Mr Yeltsin was speaking at a rival meeting, held by the dis-sident Inter-regional Group of some 400 of the most radical leputies in the Congress.

### Berlin powers will meet Continued from Page 1

gloomy picture of declining productivity, increasing prices, and supply problems, and warned of a slide into economic chaos. He announced too that net debt with Western countries was \$20.6bn, much higher than had previously heen admitted, and that tha budget deficit in the current year had risen from DM15bn to DM17bn. To tackle some of these prob-

reform, and proposed that a new management training institute and a fully indepen-dent central hank be established in the near future. A joint West-East German economic commission is likely to he agreed when Mr Helmnt Kohl visits East Germany next

economics minister, went even further than Mr Modrow, and said widespread privatisation was possible.

Mrs Christa Luft, tha new

# **UK petrol industry fears**

By Bteven Butler in London

lems he announced a govern-ment commission on economic

OIL company control over UK petrol stations could be seriously weakened under UK Monopolies and Mergers Com-mission proposals.

Details of a report due to be handed to Mr Nicholas Ridley, Trade and Industry Secretary, on December 20 remain secret, but industry officials believe it will propose two technical changes that could cause a broad structural transformation of the industry.

The first would end licensee

arrangements and place opera-

tors of service stations owned

by the big oil companies under

the protection of landlord and tenant legislation giving them

more security of tenure and independence. The second would eliminate oil companies' ability to offer selective petrol price support to individual service stations which face severe competition. The oil companies warn that these changes could force them to retreat from marketing in

could reduce competition. However, the Petrol Retailers Association, representing station operators, and the prin-cipal antagonist hahind the investigation, believes they could led to a more competitive

some parts of the country and

Background, Page 7

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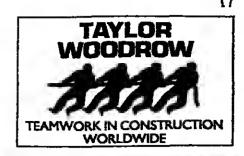
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# **FINANCIAL TIMES** COMPANIES & MARKETS

Monday December 11 1989



INSIDE

Curtain up on lands of eastern promise



The ramarkable political change sweeping across eastern Europe has not only brought out East Germans eager to spend money in West Berlin ehops (above), it is also opening up e plethora of possibilities for quick-witted Western entrepreneurs. David Lascelles argues in the Business Column that east Europe has just about everything the entrepre-neur could wish for, including bighty inefficient markets and e population driven by similar hopes and fears to those in the West, Page 38

Blood-letting in the Euromarket

Moves by the Japanese Ministry of Finance. appear to have jeopardised the future of the Euromarket by threatening to staunch the flow of Japanese equity warrants that has been the market's lifeblood. The substance of the MoF's intentions seemed to be directed at the trading rather then the issuing of equity warrants, but many houses are worried that the side-effects will be damaging to the Euromarket's core business. Page 18

Merrill's commercial exit



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Or

Merrill Lynch plans to withdraw from the Eurocommercial paper mar-ket. Even those who have been predicting a market shake-out for more than two years were caught on the hop by last weeks announcement. And, although a departure of Merrill's aize will certainly

improve the meagre-returns among the dealers that remain, it is also likely to bring about a new phase of soul-searching among them, writes Stephen Fidler, Page 18

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United Precision



# The spectre of Liedtke puts Chevron in a spin

James Buchan explains why the US oil giant has reacted so strongly to the purchase of an 8.8 per cent stake by Pennzoil

match. In one corner is Chevron, America's largest domestic refiner of oil and producer of natural gas and the sixth of the world oil industry's Seven Sisters. From its base in San Francisco, it commends an ampring of cisco, it commands an empire of wells, pipelines, refineries and service stations that generated revenues of \$23.3bn in the first nine months of this year. In the other corner is Pennzoll, e Houston-based company that

FINANCIAL TIMES 1969

produces a little oil and gas, operates two refineries and markets a fairly well-known brand of motor oil. Pennzoil reported revenues of \$2.1bn (£1.3hn) np to September. But since last Thursday, when Pennzoil announced it had bought 8.8 per cent of Chevron as e "long-term investment," the San Francisco company has been behaving as if barbarian bordes are camping on the Bay Bridge. After a rushed board meeting that day, Mr Kenneth Derr, Chevron's chairman, sued to force Pennzoil to sell the block of stock, stiffened two anti-takeover by-laws and lined up \$5bn in credit from various banks. Coin-cidentally, this \$5bn is roughly what it would cost to buy np Pennzoll lock, stock and barrel,

Opinion on Wall Street is divided. Many people see the tion, especially as Pennzoil keeps saying that it is not interested in trying to takeover Chevron. This show of insecurity in Chevron's boardroom can only fire up the speculators, these people say. Others says that Pennzoil possesses e weapon that Mr Derr is

wise not to underestimate.
This weapon is Mr Hngh Just ahort of 70 years old, Mr Liedtke is a burly and gruff old man with an undeviating will. He Texan business with some elderly oil production and refining

oil production and refining operations in Pennsylvania to the early 1960s. In 1965, Mr Liedtke launched one of America's first hostile takeover bids when he bought half of United Gas over the heads of its management.

After 40 years at it, Mr Liedtke may well be the last of the old-fashioned independent Texas and Oklahoma oilmen: rough, opportunistic, suspicions of the big integrated majors that lord it over the industry. As another Houston oil industry executive put it last week: "He's respected, he's brutal and he's been around for ever."

And Mr Liedtke is still trying to build an oil company. In 1984, he seemed to have reached his heart's desire when he negotiated a deal to buy nearly half of Getty Oil. But these hopes were dashed a few days later when Texaco, a company of a little more than Chevron's size, moved in to buy all of Getty all of Getty. For five years, Mr Liedtke pur-

sued Texaco like an avenging angel, scourging the company through the Texas courts until it paid him \$3bn in a humiliating

n the process, Mr Liedtke revealed to an astonished America the bumbling and incompetence at the heart of one of the Sisters. Pennzoil's people say they have

spent \$2.1bn on the Chevron stock and might spend another \$500m, which together uses up all the Texaco settlement after legal fees. They say tax considerations are important: Pennzoil could

t looks a pretty lop-sided match. In one corner is Chevron, America's largest domestrating off as wildcatter in West starting off as wildcatter in West trefiner of oil and producer of the carry 1950s, and then merging his insurance payment on e stolen car. Pennzoil would much have preferred the Getty assets only these were "stolen" by Texaco. US tax law allows certain "involuntary" cash windfalls to be tax-free if re-invested quickly in simi-

> But nobody thinks that Hugh Liedtke will be a passive investor in Chevron. indeed, it could be that Pennzoil thinks that Chevron might be in need of the same sort of reorganisation as Texaco. As Mr Liedtke argued in a letter to his stock-bolders on Thursday, Chevron had failed to produce profits to match its extremely powerful market positions, Pennzoil's "interest in Chevron is to aid and reinforce its management and board of directors in their efforts." The patronising tone of the letter must have sent Mr Derr

up the wall.

Like the old Texaco, Chevron has found it hard to bring on new sources of oil to feed its huge refining and marketing network.

Meanwhile, costs have rissn downstream downstream. In 1984, Chevron bought the

ov of Pittshurgh for \$18.2bn. Chevron executives, for \$18.20m. Chevron executives, led by Mr Derr, have spent much of the last five years painstakingly integrating the two companies. Gulf's headquarters in Pittsburgh was sold, its stations are being rebranded and few of its executives are left at Chevron. As one analyst put it on Priday. "Ken Derr knows at first hand what happens when a company gets taken over. That's why he's acting like this."

# The converging industrial line of Britain and France

By Guy de Jonquières, International Business Editor

he row over the hidden £38m payment which the British Government mada to British Aerospace when privat-ising Rover would be a juicy enough political affair to any circumstances. What makes it par-ticularly piquant, however, are Mrs Thatcher's indignant asser-tions that Britain is the only bonest dealer in a European market where every other country is guilty of double standards.

guilty of double standards.

As she put it in a television interview six weeks ago: "We're much more open than they are and they really have to start to do things as well as say them...they have to catch us up." Indeed, she explicitly accused other EC countries of unfair subsidies and engrected that starting sidies and suggested that sterling would not become e full EMS

member while they persisted.
Presumably, even Mrs
Thatcher will be prompted by her government's current embarrass-ment to temper ber boli-er than-thou tone. But how much truth, if any, is there to the substance of ber argument that Britain alone plays by the rules of the market?

In the government's defence and always provided it is not hushing up other secret deals -its overall record on subsidies looks relatively good. According to the Commission, UK industrial state aids per worker have been running et less than half the Community average.

These figures may unduly flatter Britain, however, since they only cover 1981 to 1986. Since then, state aids throughout Europe have been under steadily increasing pressure from national budgetary constraints and from much stricter surveillance by Brussels.

But, as Mrs Thatcher would But, as Mrs Thatcher would doubtless be the first to insist, more than money is at issue. The real question has to do with the panoply of policies deployed by governments in their dealings with industry. What better benchmark against which to test Britain's self-proclaimed virtue than France, traditionally the most entbusiastic European exponent of divisione, protection and "national champton" poliand "national champion" poli-

Since its ill-fated experiment with a siege economy in 1981-83, France has dras spending on industry. More market-oriented policies have sup-planted centralised economic lanning, and though much of industry remain nationalised, officials no longer meddle routinely in its day-to-day manage-

True, the French government still intervenes, as it is currently doing to reorganise the state-owned chemicals sector. But then so does the UK government, for similar purposes. How else to describe Whitehall's role in deter-mining the structure of the tele-communications, gas and elec-tricity supply industries in advance of privatisation?

Furthermore, it is questionable bow far Mr Roger Fauroux, the French industry minister, is ectu-ally directing the chemicals industry restructuring. Many of the shots are actually being called by the powerful heads of the nationalised industries con-

cerned.

This is e familiar theme of British privatisations. Mrs Thatcher, it will be recalled, originally wanted British Telecom broken up and sold off in pieces. But its then chairman lobbied so skilfully that he induced ministers not only to keep the company whole but even to parrot BT's own propaganda about becoming an internetional "flagship" of Britain's electronics industry.

Of course, French ministers still often speak the language of dirigisme and economic nationalism. But much of it is window-dressing, designed to impress the communist-led CGT union and its deputies in the National Assembly, without wbom Mr Michel

Rocard's government would be deprived of e majority.

This belps explain Mr Rocard's public intransigence in his recent dispute with Brussels over subsidies to the state-owned Renault group. There is considerable evi-dence that he was privately delighted to be given a pretext to reduce the government's financial exposure to the company, whils Renault's top manegers openly admit they would love to

Indeed, Thatcherite Britain offers choicer examples than socialist France of of old-style industrial interventionism in action. Take the manner in which Nissan and Toyota were induced to set up car assembly plants in the UK.

Both companies drew np their plans in negotiations with the government The plans were enshrined in formal agreements, which committed the companies to precise targets covering the value of their investments, the units they planned to produce, the number of workers portion of local content to be achieved - all according to firm

Had e Labour government attempted to reach such arrangements with privately-owned British companies, it would have been accused by Conservetive spokesman of Bennery gone mad. But when the companies were Japanese, the deals were trum-peted by Mrs Thatcher's ministers as e triumph for Britain.

That said, Britain is still indis-putably much more open than France to foreign direct investment, above all from Jepan. But even bsre, France's attitudes have begun to change since it failed to block imports of UK-made Nissans. It has realised that, if it has to accept products made by Jepanese companies in Europe, there is no point in frightening away the plants which produce them.

ven French officials agree that Britain is much more open to foreign takeover bids than their own country, and that if Jaguar had been e French company, it would not have fallen to Ford with so little resistance. Yet they also concede that if French hidders are to continue acquiring freely in Britein, it would be against their national interest to try to thwart UK take-

overs of French targets. Furthermore, the British gov ernment's failure to seek other hidders for Rover is e reminder that its own ections heve not always lived up to its professions of openness and non-intervention. Its retention of golden shares in privatised companies is also et odds with its condemnation of other European countries' takeover barriers. That Jaguar's golden sbare was scrapped as soon as e serious bidder emerged for the company only confused the position further. And did

someone whisper Westland? None of this is to suggest that Britain and France behave inexactly the same wey. However, there is much evidence that in terms of concrete industrial policy actions, trends in the two countries are converging, not growing further apart. The most striking differences

may lie in the rhetoric. The French government increasingly uses the vocabulary of nationalism and statism as e smoke-screen behind which to implement liberal policies. Mrs Thatcher, by contrast, seems to have become so convinced by her own bomilies to market forces that she sometimes fails to see the mote in her own eye.

But then liberalism and eco-nomic nationalism have always co-existed awkwardly in her soul. In Tokyo last September, she battled for Nissan's right to export cars freely from its UK plant to the rest of the EC. "If necessary I will defend any other Japanese companies investing in Britain in the same way. That is what a free market means," she Such logic has e certain charm.

But it is a shaky base from which to assert Britain's moral superiority over its EC economic part-

**Economics Notebook** 

# East's need for inward support

nternational civil servants and central bankers will be meeting in Frankfurt, Basie and Brussels this week to discuss financial support for

eastern Europe.

Bnf. as Mr Lech Walesa pointed out on his recent trip to Britain, inward investment rather than financial assistance is what the former Soviet satellites need to get their

conomies on their feet.

The problem is that while tha late 1980s have eeen a surge in international direct investment flows from the major industrialised countries, investors have become more choosy about where they chan-nel their funds. International investment

now largely takes place among the 24 countries of the Organi-sation for Economic Co-operation and Development.

According to e recent OECD study, the inflow of investment funds to developing countries averaged \$12.7bn in 1986 and 1987.

and 1867.

This was about double the low level of 1985, but the 1987 total of \$13.2bn was only 10 per cent of the \$131.4bn of outward. investment by OECD countries

The figures also gave an inaccurate idea of investment in manufacturing in the devel-oring world. Recorded invest-ment flows were boosted by such factors as US intra-com-pany financial transactions in Bermuda, the Netherlands

Antilles and Hong Kong
Apart from the dynamic
newly industrialising countries of east Asia, very few develop-ing countries have experienced a significant increase in for-eign direct investment in man-ufacturing in recent years. a fact that augurs III for eastern

To attract investment a country generally needs good macroeconomic performance and confidence in its sustains—eign investment among the bility, sound and effective eco—east European countries.

nomic policies; open, market-oriented trade and industrial policies; a dynamic private sec-tor and stable and predictable foreign investment policies.

these criteria.

They need to establish proper pricing systems, to eliminate subsidies and to create the basis for genuine profit and loss accounts to business with the possibility of compa-

convertibility.
Capital markets, where they exist as in Hungary, are woe-fully underdeveloped. Property relationships are often muddled with uncertainty surrounding exactly who would pay what to whom in the event of denationalisation of compames. Without a start on reform to these areas, privatisation of eastern Europe's state indus-tries and large-scale foreign investment will remain a pipe

To make matters worse, Poland and Yugoslavia are cur-rently suffering from hyperinflation. Financial assistance may help them through the winter, but what they need in the longer term is a massive injection of financial expertise.

Poland and Hungary have approached the OECD informally for such help, while there have also been contacts between the Paris-based think tank and Soviet officials. It is clear that accountancy skills will be at a premium. Western accountancy firms are already beefing up their involvement to the east of what used to be the Iron Curtain.

Western experts believe that

Hungary probably stands the best chance of attracting for-

its inflation rate of around 20 per cent is relatively low and largely reflects Government moves to suppress subsidies and broaden the revenue base The crumbling command economies of eastern Europe are nowhere near meeting by raising value edded tax. Hungary has e working income tax system, but with the disadvantage of high tax rates. A nation wide system of commercial banks has been set up and the banks charge real interest

eny difficultles remain. Hungary is heavily to debt to the West. It has insufficient hard nies going bankrupt. They must also adopt real interest rates and strive for currency currency income and a large trade surplus in non-convert-ible ronbles with the Soviet Union. But in the view of the Western experts, Hungary's problems are not insuperable, although e successful adjustment of the economy will require belt tightening under the aegis of an International Monatary Fund economic

reform programme. Eastern European countries have one potentially great advantage over Third World developing countries when it comes to attracting inward investment: they have relatively high educational standards

The OECD report, cited ear-lier, suggests that in the devel-oping world, only a few, mainly newly industrialising countries will be able to absorb the new technologies that are currently spreading through-out the industrialised world. The quality of their educational systems could enable the Soviet Union and the east European nations to join this ect group.

\*International Direct Investment and the New Economic Environment, available from OECD, Publications Service, 2 rue André-Pascal, 75775 Paris Cedez 16. FFrs 100.

### THIS WEEK

The regular flow of monthly economic data will turn into a flood this week as the British figures that should give a guide to the state of inflation and the real economy in both

countries. Figures for US trade in October, producer price inflation and industrial production (all on Friday) may give pointers to the short-run policy adopted by the US Federal Reserve. An easing of US monetary policy is widely expected.

The consensus of analysts expectations, as polled by MMS International, the financial information company, are for e 0.2 per cent rise in producer prices (sxcluding food and per cent. energy, 0.3 per cent) in Novem-

ber.
US Industrial production last ings.
Top finance ministry offimonth is expected to show no growth, while the merchandise trade deficit is expected to rise to \$50n from September's level meet in Frankfurt today for of \$7.50n. Analysts believe the talks on increesing the trade account is on an improving trend, and think a strike at Boeing, the US aircraft manuments in eastern Europe. facturer, may have been responsible for the apparent weakening of the trade posi-

retail sales data (November). Thursday's employment and Thursday's employment and earnings figures (spanning Cotober and November) and tion from eastern Europe Friday's retail prices index (November), are expected to underline weak consumer defined but persistent inflationary problems.

The NMS median forecast control will be under pressure to take a restrictive problem fine following recent immigration from eastern Europe which is expected to fuel strong growth and inflationary pressures.

The NMS median forecast control will be under pressure to take a restrictive fine following recent immigration.

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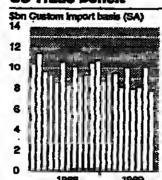
est reversal on October when retail sales volume fell 0.7 per orders. ent. Wednesday: US retail sales,
Whole economy everege up 9.1 per cent in November. cent.

prices index in November of 0.9 current account figures.

per cent, leaving the annual rate of inflation at 7.8 per cent.

Friday: US capacity utilisation, November, Japan, whole-Peter Norman A L1 per cent rise in the index sale prices, November.

### **US Trade Deficit**



would put inflation back to 8

cials from the group of seven leading industrial countries

The Bundesbank's policy making central council meets on Thursday to decide West Germany's money supply tar-For UK markets, today's get for next year.
etail sales data (November). The council will be under

tionary problems.

The MMS median forecast cent, output up 0.4 per cent cent, output up 0.4 per cent Tomorrow: Japan's customs cleared trade figures (November, mput up 0.4 per cent cent, output up 0.4 per cent cent, out ber) \$4.2bn. Japan, machinery

earnings in October is forecast to be 9.25 per cent higher than a year earlier, up from 9 per cent in the year to September.

Thursday: UK manufacturing output, up 0.3 per cent, UK November unemployment, down 20,000 French consumer The MMS median expectations. November US business tion is for e rise in the retail inventories and third quarter

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### INTERNATIONAL CAPITAL MARKETS

**COMMERCIAL PAPER** 

# Merrill's exit leads to soul-searching

MERRILL LYNCH'S announcement last week that it would withdraw from the Eurocommercial paper market came as a surprise even to those who had been predicting for two years that the market was pre-pariog for a shake-out of unprofitable dealers.

This shake-out has happened

on the quiet as other houses, less promioeot than Merrill, have left the market. A departure of Merrill's size will certainly improve the mea-

gre returns among the dealers that remain; it is also likely to bring about e oew phase of soul-searching among them.

The background to Merrill's move is clearly the stagnation that has overcome the market this year, in spite of a oumber of positive developments that would in happier times have favoured it.

The most positive development has been the improving performance of the ECP market against its US counterpart. Yields of ECP remain closely linked to interhank rates, which last year were regularly much higher than the US com-posite commercial paper rate. That meant it was unattractive for most corporate borrowers with access to the US market

to issue in Europe. This year Europe has proved much more competitive to issuers and the reason seems to be that ECP yields are more closely following US CP rates. Why this is so is not completely clear.

It may partly reflect a shift in perceptions of risk in favour of hanks - particularly the well-capitalised European and Japanese ones - and against corporate credit. It may also reflect an increased appetite among US investors for Eurocertificates of deposit.

US investors are barred from direct investment in ECP, but can invest in Euro-CDs, simiiar-looking paper issued by banks. If US investors increasingly view US commercial paper and Euro-CDs as compet-ing products, Euro-CD and US paper rates will tend to move more in line. And since Euro-CDs and ECP are substitutes for international investors, rates on these instruments are likely to move in a similar

Yet the amount of outstand-

changed since the start of the year, at about \$70bn. The reaincreasing incidence of default on commercial paper which has understandably heightened investor concern ebout credit

quality.
The credit quality of ECP has always been, on average, lower than US CP: the Euro-pean market developed from e banking product and there has requirement that an issuer

should obtain a credit rating. Over the past six mooths, dealers say quite e few issuers dealers say quice e lew issuers of lesser credit quality have run down their programmes or eveo stopped issuing. Meanwhile, they say there is still some growth at the higher-quality end of the market.

As investors become more worried ahout defaults, so must dealers. Although dealers have decided they have no responsibility to make up losses to investors in case of defaults, their reputations ride

on the quality of the paper they sell.

The costs to Merrill Lynch of due diligence and credit work oo 197 ECP programmes and a further 23 revolving underwrit-ing facilities would have been rising. Dealer returns may have edged up a basis point or two over the past 12 months but they are still tiny; e 3 bast point dealing spread would still be generous. Slim pickings in a business where the pitfalls

are growing.

Midland Montagu and a amall group of banks have underwritten, for an undeclared amount, the financing for Kingfisher's bid for Dixons.

Signing is expected tomor-row, after many difficult months, of a \$400m loan for the Qatar General Petroleum Cor-poration and one of \$200m for the State of Qatar.

 Banca Commerciale Italiana is syndicating a £103.8m sup-plier credit in favour of Industrie Zanussi for the supply of household products from Zan-ussi of the UK. Both are Elec-trolux subsidiaries.

• Chase is syndicating a \$50m one-year deal for the industrial Reconstruction Organisation of

Stephen Fidler

# **EQUITY WARRANTS** Japan prepares to staunch Euromarket's lifeblood

MOVES BY the Japanese inception." Mr Christopher Ministry of Finance appear to have jeopardised the future of the Euromarket by threatening to staunch the flow of Japanese equity warrants that has been the market's lifehlood.

The substance of the MoF's

intentions seemed to he directed at the trading rather than the issuing of equity war-rants, hut many houses are worried that the side-effects will be damaging to the Euromarket's core husiness.

Hastily-convened meetings among non-Japanese securities houses involved in trading equity warrants reached the tentative conclusions that the primary market is fundamen-tally threatened and that the MoF is discriminating against non-Japanese houses.

As one senior banker in Lon-don said: "We are still gathering information, but it appears we are fighting the greatest threat to the market since its

Heath, of Baring Securities, agreed. "The aim of the authorities is to pull the warrant market back to Japan and then to develop the market for yen warrants." he said.

There are several versions of what happened in Tokyo at the end of last week. It appears that senior managers from the four leading Japanese securi-ties houses - Nomura, Yamal-chi, Daiwa and Nikko - were called in individually to the MoF where they were addressed by members of the Securities Bureau.
The civil servants mede

clear they were looking for a conclusion to long-standing

talks on the regulation of Japa-nese equity warrants trading.

In particular, a proposal that equity warrants should be listed and traded on screens on the Tokyo Stock Exchange has been on the table for months: now, without adopting a for-

mal deadline, the officials want to conclude the matter. The Securities Bureau apparently made clear that hy the end of this year it wants to have in place a timetable for implementation of its proposal. However, significant opposition to the proposal may well delay its introduction. The Tokyo Stock Exchange is understood to have been "positively study-ing" the technical problems associated with the listing and screen trading of equity war-rants, and is thought to have indicated to the MoF that these

can be solved. Given that more than 70 per cent of secondary trading of the warrants is conducted in Tokyo already, it might seem a fair wish for the MoF to increase its regulatory authority. Officials have, for some time, expressed worries about the transparency of the market for small investors. They argue that controlled agency broking

would work better than the current over-the-counter market-making system. It is unclear, however, whether the liquidity needed to

attract all sorts of investors to what is a volatile and danger-ous instrument would be provided or protected by screen-based exchange trading. The existing market is very liquid, allowing investors confidence in the knowledge that they can

the kindwiedge that they can buy or sell at ease.

The large securities houses say smaller "free-riders" would be allowed to muscle in on their business. In particular, they think matched orders and fixed commissions would detract from the freedom and ease of the current market. This is worth elaborating on. Traders argue that they face a constant mathematical challenge when they offer warrant prices to investors. Movements in stock prices can cause big swings in warrant prices, forcing dealers to revise the basis on which they calculate the true value of the warrants. Any reduction in liquidity, such as the loss of traders' ability to go short on an issue implied hy matched orders, would severly hamper the mar-

ket for warrants. While medinm-sized and small Japanese brokers would benefit from improved access to the market, foreign houses, especially recent new entrants to OTC market-making like Kleinwort Benson, Salomon Brothers and Merrill Lynch, would eee valuable investments become redundant.

Last week this led to intem-

Doubts were expressed about the depth of understanding shown by MoF officials of the warrants market.

perate claims that the MoF was contemplating a nationalistic

and anti-competitive act.

In searching for an explana-tion as to why the MoF appears

to have accelerated its agenda and dramatically raised the stakes, Japanese bankers have come up with an interesting

They say that within the MoF the Securities Bureau has been fighting a battle for jurisdiction with the International Finance Bureau, the arm of the MoF which controls Eurobond issues. By making equity warrants an issue, the Securities
Burean is trying to extend its
domestic regulatory powers at
the expense of the International Bureau.

While there are features of the warrants market that could the warrants market that could be improved, this has become secondary to the Securities Bureau's desire to bring war-rants under its jurisdiction, a development which would ben-efit smaller domestic brokers at the expense of the big four

Andrew Freeman

						NEW INT	ERNATIO	NAL BOND ISSU	ES	•			: -		
Borrowers	Amount	Maturity	Av. life	Coupon	Price	Book runner	Offer yield	Borrowers	Amount m.	Maturity	Av. Ilfe years	Сопроп	Price	Book runner	Offer yiel
								Takara Standard##\$	100	1995	-	14	100	Benk Julius Baer	0.12
US DOLLARS								Nipon Yusen K.K. ***	300	1996	-	11/2	100	Credit Sulese	1.12
Sumitomo Realty & Dev.++	1bn	1993	4	2¾ 2¾ 1¼ 6%	100	Dalwa Europe	2,750	Daiwa Danchi Co.**\$\\(\phi\)	250	1994	-	Zero	100	UBS	
Towa Real Estate Dev. 🍑	150	1993	4	23	100	Nomura int.	2.875	Sekisul Jushi ★★§◆(w)	80	1994	-	Zero	100	Nomura Bank (Switz)	
STC Corp.(6)§◆	30	2004	15	124	100	CSFB	1.250	Footwork Corp.§(u)	70	1994	-	Zero	100	BSI	
forinchukin Bank	200	1997	7	6%	10112	Norinchukin int.	6.334	LB Rheinland Pfalz**	75	1995	-	612	1004	Kredietbank (Suisse)	6.44
Sank of Greece(c)†	300 575	1996	7	30bp	100	CSF8	-	ECUs							
ME Finance(f)◆	575	1999	10	(I) (I) 6 <sup>1</sup> 2	102	Nomura Int.	-		400	4004	-	03.	102	Seelbas Con Mide	0.00
ME Capital •	50	1999	10	Ŋ	102	Nomura int.	-	Credit Local de France	100	1994 1995 -	5	83t	101%	Paribas Cap.Mkts. Deutsche Bk.Cap.Mkts	9.23
Inion Bank of Finland	21	1993	3	61/2	1013	LTCB Int.	7.957	World Bank	100 50	1994	. 5	91 <sub>2</sub> 91 <sub>2</sub>	. 101 %	Merrill Lynch Int	9.05
Boots Co.♦	175	1997	7	9	1012	CSFB	8.705	Oest. Kontrolibank ♦ (d)	50			9-2			
shikawajima-Herimat	500	1993	4	(34)	100	Yamalchi int.		Credit Foncier (e)	50	1996	6 <sup>1</sup> 2		99.16	UBS Phillips & Drew	9.15
Dev.Bk.of Turkey	100	1995	6	(3 <sup>1</sup> 4) 9 <sup>1</sup> 4 8 <sup>1</sup> 2	100	Daiwa Europe	6.750	Swedish Export Cr. (x)	50	1994	5	64	1025	Bankers Trust	6.074
Sumitomo Corp. •	100	1992	3	812	101 3	Daiwa Europe	8.063	AUSTRIAN SCHILLINGS							
Long Term Cr.Bk.Japan◆	100	2000	10	6	101.85	LTCB Int.	8.715	Commerzbk Overseas Fin	· 1bn	1994	5	73g	9912	Raiffelsen Zentok.	. 7,499
Flash Ltd Series Kt	30 75	1993	4	(a)	100.10	Sanwa Int.	-		. 1011	1954			Z	residesor zonuk	. 7,400
FMC Corp.§(r)	75	2005	15	(64-64)	100	Morgan Stanley Int	•	LIRE							•
Inited Paper Milist	100	1995	5	(3)	100	KOP	-	Ferrovie d. Stato† (p)	500bn	1998	6	(p) -	100	Banco di Roma	
ina Hotels & Resorts†	50	1999	10	(3) (k) 23, 23,	102	Bankers Trust Int								<del></del>	
(Ippon Oil Co.♦♦(o)	500	1993	4	23	100	Nomura Int.	2.750	YEN			_				
Nichiel Coto	300	1993	4	23	100	Yemalchi Int.(Eur)	2.750	PK-Banken ♦	10bn	1992	3	O	1013	Mitsubishi Fin.int.	
Calnippon Screen Manti	200	1993	4	2%	100	Yamalchi Int.(Eur)	2.875	Flash Eleven Ltd.◆	1,44bn	1993	3	6 2		Sanwa Int.	5.986
						Tamasan majarin		Forsmarks Kraftgrupp	10bn	1992	3	63 63 64	101.27	tBJ Int.	5.775
AUSTRALIAN DOLLARS	4.						100	Banca di CRT♦	15bn	1995	5	63	1013	Nomura Int.	5.724
K-Banken •	70	1990	1	9	94.50	Paribas Cap.Mkts.	14,979	Cheitenham & Gloucester	15bn	1993	3	638	1014	Daiwa Europe	5,908
CANADIAN DOLLARS								Christiania Bank	10bg	1993	3	6.4	1013	Nomura int.	5.867
Svenska Handelsbanken	75	1992 ·	2	11%	101.95	Manhan Bank	10.617	Province of Manitoba	15bn	1993	4	6.1	101.15	Niido Secs.	5.770
Sveriska Flanceiscankeri	13	1332		11-24	101,89	Hambros Bank	10.014	Oest. Kontrollbank	25bn	1999	7	7.3	100.60	Nomura Secs	7,188
D-MARKS								KFW Int. Finance	25bn	1994	5	7.3 51 <sub>4</sub> 61 <sub>2</sub>	1013	18J Int.	5.836
Alchi Electric Co.44	70	1994	5	1%	100	Deutsche Bank ·	1.875	Toronto Dom. Bank (m)	4bn	1991	2	612	1013	New Japan Secs.Eur.	7,870
Sumitomo Construction	150	1993	4	(1 <del>%</del> )	700	Westl B		STERLING .				<del></del>			
Ovnic Corp.6	100	1993	4	(15)	100	Deutsche Bank	•	Hickson Capital§⊕(v)	40	0004			100	LIDO OLUM-AN-	
Vissho Corp.	250	1993	4	(1%) (1%) 1% 1% 1% 1% 7%	100	Deutsche Benk	1.625	Temple CLM gage Nott◆	40 175	2004	15 40	. "		UBS Phillips&Drew	7.123
Tosoh Corp. 4 4	200	1994	5	1%	100	Deutsche Bank	1,875	tembra crw beda uou.◆	1/5	2020	40 .	. (1)	.100	S.G.Warburg	
Tobu Stores Co.++	150	1993	4	15g	100	Dresdner Bank	1.625	LUXEMBOURG FRANCS							
Daiwa Danchi Co.04	300	1993	4	150	100	WestLB	1.625	Hill Samuel Bank**	300	1983	3	612	10134	Banque UCL	9,006
European Coal&Steel (k)	100	1994	5	73	1012	Dresdner Bank	7.381	EIB**	300	1997	ž	9	101	BGL	8.803
						Diametric Dates		I andanhash-b-b-	200	4000	. 3	612 .	404	That -	2404
SWISS FRANCS				_				That yet relead, shit-Private places	-	willy interrecte	SC-rewards.	le Asemeni	hand 400	relice rate note. Afficel forms	all blades
Nigata Chuo Bank(a) ★★§◆	100	1994	-	38	100	Credit Sulsse	0.375	3.361%, b)Yield to put 3.306%, 0)30	Op over 6-mo	nti Ubor. Put	at par Dec.	984, Call from	Dec.1984	at par, oFungible with exterior	Scu'100m bond
Pokka Corp.(b)★★§◆	100	1994	-	4	100	Credit Suisse	0.250	from Dec.1989, lesue price plus ac	crued Interes	t, e)Fungible	with oxiding	Ecu100m iss	us launch	ed May 1969. (Step-up coupon	tront Dec. 1690
Ging Co.★★◆◆	35 35	1993	-	1	500	Bqe Paribas(Sulsee)	1.000	Library None Dec. 1994 7.810%, Q	PUE 136C-7894	to yield 5.274	of offering	to put 3.313%	National Na	pur 3.43276; jiYleid to put 8.2	55%. k)6-month
King Co.(h)★★§◆	35	1994	-	- 4	100	Ege Paribas(Suisse)	0.250	Average lite 81/2 years, m)Redemo	ton finked to	Nikel Stock	lodes, n)Ytel	id to put 3,248	%, o)Yield	to pur 3.461%, p)Equal to 6-m	onth Libid, Fine
Mitani Corp.(I)****	50	1994	-	Zero	100	Bank Leu	• •	coupon fixed at 12.7% Jannuari, C	Trom Janu	ery 1991 and	on coupon o	lated therealth	r at par. c	18-month Libor plus 1860. riC	aR option froom
Somar Corp.(j) ** \$	60	1995	-	4	100	Nomura Bank(Switz)	0.250	"Not yet priced. **AP*/valle places 3.81%. b)Yield to put 3.305%, ci31 from Dec. 1999. letter brice plus ac 7.275%, from Dec. 1994 7.510%. c) Libor plus 550p for first 2 years, s Average life 8½ yeers, m)Rideres coupon these at 12.7% jamenth, C 1996 at [161½-103½], decthing to subsequent coupons will be fled in Virtidit to but 3.412%, wiyled to no	per in 2000	and Workelber	at par, ej6	month Liber	peus 156p.	Offirst coupon at 3-month Yes	Libor plus pa
Kurabe Industrial Co.**	10	1994	-	6%	100	Fuil Bank(Schweiz)	6.875	viyield to put 3.412%, wiyield to pa	R 3.425%, YE	a provide vite f	Control of the	d teached 20	000 DWCK	market mouse upinocesso put	D 71810 3.202%

This announcement appears as a matter of record only,

DECEMBER 1989

**NEW ISSUE** 



### KANSAI INTERNATIONAL AIRPORT COMPANY, LTD.

(Kansai Kokusai Kuko Kabushikikaisha) (Incorporated in Japan as a stock corporation pursuant to the Kansai International Airport Company, Ltd. Law (Law No. 53 of 30th June, 1984))

U.S.\$150,000,000 9 per cent. Guaranteed Bonds due 1996

unconditionally and irrevocably guaranteed as to payment of principal and interest by

Japan

Issue Price 101% per cent.

Dealers

U.S. \$250,000,000

Eurocommercial Paper Programme

Arranger **Credit Suisse First Boston Limited** 

**Credit Suisse First Boston Limited** Daiwa Europe Limited Shearson Lehman Hutton International, Inc.

> Issue and Paying Agent The Chase Manhattan Bank, N.A.

**IBJ International Limited** 

**Bank of Tokyo Capital Markets Group** 

**Credit Suisse First Boston Limited** 

**Deutsche Bank Capital Markets Limited** 

Goldman Sachs International Limited

Merrill Lynch International Limited

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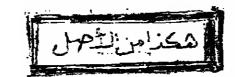
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### INTERNATIONAL CAPITAL MARKETS AND COMPANIES

# Board decision aggravates Mondadori row

By John Wyles in Rome

THE BATTLE for control of together with the Fininvest ths. Mondadori publishing group promises a rich volley of legal salvoes this week following a decision by the company's board to seek a L320bn (\$245m) capital increase at an extraordinary shareholders.

esting on January 26.
Adopted at a board meeting stiended on Saturday only by allies of Mr Carlo De Benedetti, the Italian businessman, the move was instantly condemned as "illegitimate and without effect" by Mr Silvio Berlusconi

that they are in the minority at extraordinary meetings. A statement issued by Mr Berlusconi's Fininvest group warried that the Formenton

and Mondadori familiss,

group, will as soon as possible examine with their lawyers the initiatives to be taken The effect of the Mondadori

board's proposal of a four-for-one issue of ordinary shares at a nominal price of Li,000 would be to transform the Berlusconi-Formenton-Mondadori group into owners of less than 30 per cent of ordinary stock. At the moment, through their control of the Amel finan-

as "illegitimate and without effect" by Mr Silvio Berlusconi and the Formenton and Mondadori's calesced into an anti-De Benedetti. majority of Mondadori's object coming y shares.

These. kave recently solely ordinary stock which accounts for only half of Mondadori's dadori's issued capital, the ordinary sharesholders. Mr. De other half being largely privilegeneettile ownership of leged shares, 71 per cent owned around 42 per cent of all Mondadori capital means, however, capital increase the financier that they are in the minority at would hold about 38 per cent of would hold about 38 per cent of the ordinary capital and nearly
45 per cent of all shares,
including privileged stock.
This should give him and his

> Commerce and Toronto Domin ion Bank have asked the US Federal Reserve for expanded

corporate underwriting pow

ers. The three chartered banks

want to underwrite and deal in US corporate debt and equity

securities. Four US banks were

allowed this summer to under-write and deal in corporate debt on a limited basis through

their securities trading arms,

apparently softening the 1933 Glass-Steagall Act's separation

of commercial and investment

banking.

The Bank of Nova Scotia

suffered a loss of C\$241.8m (U\$\$208.4m) or C\$1.37 a share for the fourth quarter ended October 31, against net profit of C\$138.6m or 72 cents a year

The bank took an additional

C\$800m in special provisions this year, raising reserves to 65



initiatives to be taken

However, he risks being in a minority during the period before the increase, which could last several months if key decisions are left to the courts. As an insurance, the

Ciba backs up

Connaught bid

with C\$250m

CIBA-GEIGY of Switzerland

and its US partner. Chiron Cor-poration, are to inject research funds totalling about C\$250m (US\$215m) into Commanght Bio-

Sciences if the Federal Govern-

ment gives the go-shead for Ciba-Geigy's takeover offer for the Canadian vaccine maker.

The objective would be to

make Connaught a world

leader in vaccine research and production furthering the Gov-

ernment's aim to promote Can-

ada's biotechnology industry. The Federal Government is

to publish e review of the Ciba-Geigy bid and a compet-ing offer from Institut Mérieux,

an offshoot of France's Rhône-

Poulenc. Mérieux has made e research funding commitment

The French company has bid C\$37 a share for Connaught

of C\$160m over five years.

By Robert Gibbens

changes in the statutes which would guarantee proportional representation of minority shareholders, raise the number of board members from 18 to 15 and reduce their tenure from three years to one.
It would also give the minor

ity shareholders an effective veto over a number of importent hoard matters by requir-ing a four-fifths majority for decisions on sales and acquisi-tions of shareholdings and also for a range of other important matters, including the nomina-tion of editors of publications. But this proposed change, which Mr De Benedetti's officials say was initially tabled for discussion earlier this year, is also meant to be an olive branch, promising much more of a shared role than has hith-erto been allowed Mr Berlus-coni and the Mondadoria dur-

ing their period in e minority.

Prince Carlo Caracciolo, the

chairman of the Mondadori

board whose mediation attempts failed to avoid the

Formenton family's switch of support inside Amer 10 days ago from Mr De Benedetti to Mr Berlusconi, appealed to all shareholders after Saturday's meeting "to reach a balanced agreement which would settle all of the arguments which divide them."

The Mondadori board justi-fled the proposed capital increase from Leobn to Leobn in terms of the Leobn investments made this year and e net consolidated debt level of L376bn. It added that the com-pany had development plans costing "hundreds of billions" which could not be dealt with

by further indebtedness.

It also took the decision in spite of a court injunction secured by the Barlusconi camp limiting its deliberations to ordinary by deliberations. to ordinary business. The board claimed it was obliged to call the special shareholders' meeting under the Italian civil code because it had received a request from more than 20 per cent of the company's capital.

# French radio station goes public on second attempt

By William Dawkins in Paris

NRJ, France's third largest commercial radio station, has completed its flotation on the Paris secondary market after having to relaunch its share issue after it was oversub-

scribed a record 300 times.
The station, which provides a diet of UK and American popmusic to 6m, mainly teenage, listeners, has floated 10 per cent of its equity at FFr380 per share, valuing the group at FFr2bn (\$330m).

Founded in 1981, it is the

first radio station to come to the market since the flotation of Europe 1, the second largest commercial station after RTL. Originally NRJ was aiming at an issue price of FFr320, but it scaled it np and asked inves-tors to pay cash in advance to try to reduce demand to a

more reasonable level. Even at the final price of FFr380, epplications were received for 17.7m shares, 34.5 offer, the stock exchange said.

# Barings opens Milan office

ment capital, already has offices in Paris and Munich. Mr Otto Van Wyck, managing director, said an office in Milan was an essential addition to BCI's European presence, as

the Milan office are Mr Fran-cesco Loredan and Mr Alberto

# Argentina privatised companies

By Stephen Fidler

A \$500m debt-equity conversion fund aimed at Argentina's forthcoming pri-vatisation programme is being set up by a group of banks together with the Interna-tional Finance Corporation, the World Bank's equity

Apart from the IFC, the fund is being established by Mid-land Bank, the Bank of Tokyo and Banco Rio de la Plata, Argentina's largest private sector bank. It will sim to invest in privatised companies in deregulated sectors of the Argentine economy which have potential for long-term capital appreciation.

Investment will be made through the conversion of outstanding public debt, which has for some time been trading on the secondary market at well below 20 per cent of face

Initially the fund will aim to raise \$500m of debt by way of private placement. Some \$200m has already been committed by sponsoring banks, while the Bank of Tokyo is expected to commit a further \$100m, subject to approval by the Japanese Ministry of

The Government of President Carlos, Menem has pledged to privatise and deregulate large sectors of the economy, including Appolines telephone system, Aerolineas Argentinas, the national air-line, port facilities, the rail network, gas and oil companies, and several industrial

Midland has previously established two similar funds in Chile in conjunction with the IFC.

Strong interest in Bloomingdale's sale CAMPEAU, the Canadian

retailing group, said several parties had expressed interest in acquiring its Bloomingdale's department store chain, AP-DJ reports. No more than six parties

against the company by

# Chandler to resign fund targets from top Kodak post

By James Buchan in New York

MR COLBY Chandler, chief executive of Eastman Kodak, is retiring from the big photographics products company after six of the most difficult years in its history. He is succeeded by Mr Kay Whitmore, currently president of the com-

pany.
The management change, which will take place next June, ends a frustrating tenure for Mr Chandler, 64. Since tak-ing over as chief executive in 1983, the soft-spoken engineer has presided over four big restructurings, including a move last month to cut 4,500 johs. But Kodak's X-ray and conier businesses are declining and profit margins are weakening in the company's famous but mature film and photographic products operation. At last week's close of \$42%. Kodak stock is no higher than

Wall Street analysts bave complained that Mr Chandler, a 40-year veteran of the Rochester, New York company, has been too respectful as a cost-cutter of the company's venerable traditions and bome-town responsibilities. Kodak is also unpopular on Wall Street

in 1982.



Colby Chandler: presided over four big restructurings

for its dramatic \$5.1bn pur chase of the Sterling Drug pharmaceuticals company. which analysts say was overpriced.

Mr Whitmore, who is 57, joined Kodak as e film engineer in 1957, became a director in 1982 and president in 1983. He is a strong defender of the company's purchase of Sterling

# Bond subsidiary to fight Adsteam call for receiver

MR ALAN Bond's Bell Resources said it would fight the request by the Adelaide Steamship group to the West Australian Supreme Court that a receiver be appointed to the company, Reuter reports.

"The company will resist the application vigorously on the grounds both that there is no substance to Adsteam's com-plaint and that its own conduct does not entitle it to approach the court for any relief," Bell said in a statement to share-

A lawyer appearing on behalf of Adsteam told the court that it considered the appointment of a receiver a matter of urgency to prevent further dissipation of Bell's assets. The hearing was adjourned until today. Bell Resources, 58 per cent

owned by Bond Corp Holdings, said the application brought

Adsteam did not "arise in respect of [the] company's insolvency or any monetary defaults by it."

Adsteam, which has almost 20 per cent of Bell, has critic-ised the company's payment of a A\$1.2bn (US\$940m) deposit to Bond Corp as part of Bond's planned sale of its Australian rewing assets. Adsteam said last week it

was nominating Mr John Spalvins, managing director, and four others for election to Bell Resources' board, to take con-

Bell Resources said in ths statement the company had refused Adsteam's request as being "not in the best interests of all shareholders.

"This issue and others have been discussed over a long period of time and the board is therefore surprised at the way in which Adsteam has now put forward this application."

# Canadians split over new financial laws By Robert Gibbens in Montreal

AFTER three years, the Mulroney Government has failed to gain consensus on new laws governing Canada's financial services industry.

A parkage being steered by Mr Gilles Loiselle, the new

Minister of Finance, was to have been introduced this autum and then by the year and, but it will now be delayed well into 1990.

The draft legislation, which covers banks and federally incorporated credit unions,

trust companies and insurers, deals with the ownership and expansion of lending and The banks, trust companies and insurers are all unable to agree on a package, particu-larly on the issue of ownership. The banks want the 10 per

cent maximum ownership rule applied to trust companies, while the trust companies. want a 65 per cent ownership accepted. Insurers do not want banks to own insurance com-

e The Royal Bank of Canada, Canadian Imperial Bank of

per cent of gross exposure to first World problem learn. It reported fiscal 1989 profit of C\$221.8m or C\$1.01, down from C\$506.8m or C\$2.74 in 1988.

### By Rachel Johnson BARING BROTHERS, the UK

merchant bank, is continuing its European expansion with the opening of a Milan office for its offshoot, Baring Capital Investors (BCI).

and claims it has acceptances BCI, which focuses on buy-outs and late-stage developsufficient to give it 56 per cent control. But it cannot take up the shares tendered unless the bid is given government approval. Its bid is due to expire on December 14. Cibe-Geigy's C\$30 a share offer expires on December 13.

medium-sized Italian compa-nies faced the challenge of market globalisation.
In addition, many privatelyowned companies were chang-

ing hands as their owners retired. This encouraged man-agement buy-outs, which BCI's new presence was designed to The managing directors of

would proceed to the second stage of the bidding process, expected in about eight weeks.

PIRITES ALENTEJANAS, S.A.

**US\$30 Million Multicurrency Term Loan** 

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Managers BACOB Savings Bank s.c. Banco Pinto & Sotto Mayor Caisse Nationale de Crédit Agricole SDS Bank a/s Uniao De Bancos Portugueses (Luxembourg), S.A.

**Participants** Banque et Caisse d'Epargne de l'Etat, Luxembourg Crédit Industriel de l'Ouest

> Adviser to the Borrower Efisa-Engenharia Financeira, S.A.

> > Agent

Banco Totta & Açores, S.A.

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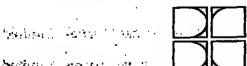
Postipankki (U.K.) Limited

**Jacob**racy Lagrance on A

British & Commonwealth Merchant Bank PLC

Advisers to the Borrower Mayflower Capital Market and Treasury Services Ltd

Agent Bank



BRITISH & COMMONWEALTH MERCHANT BANK PLC

PERSONAL PENSIONS

The Financial Times proposes to publish a Survey on the above on

Editors of the other of the 20TH JANUARY 1996 For a full editorial synopsis and advertisement details, please contact:

> RICHARD BECCLE on 01-873 4181

or write to him at: Number One, Southwark Bridge London SE1 9HL.

**FINANCIAL TIMES** 

NOTICE OF EARLY REDEMPTION



Crédit Foncier de France

£ 100,000,000 **Guaranteed Floating Rate Notes due 2000** Unconditionally guaranteed, as to payment of principal and interest, by The Republic of France

in accordance with clause (b) of paragraph 8 "Redemption" of the Terms and Conditions of the Notes, notice is hereby given that Crédit Foncier de France will redeem at par on the next Interest Payment Date, i.e. January 11, 1990 the total amount remaining outstanding of the above-mentioned Notes.

of the above-mentioned Notes. Payment of interest and reimbursement of principal will be made in accordance with the Terms and Conditions of the Notes.

Interest will cease to accrue on the Notes as from January 11, 1990. Luxembourg, December 11, 1989



The Fiscal and Principal Paying Agent KREDIETBANK



S.A. LUXEMBOURGEOISE

INTERNATIONAL ISSUE C.I.T.-ALCATEL COMPAGNIE FINANCIERE ALCATEL)

> FF 200,000,000 10 1/4% Convertible Bonds due 1991 CHANGE OF

CORPORATE NAME that "CITALCATEL" has changed its corporate name to "COMPAGNIE GENERALE D'ELECTRICITE".

The bonds will be asted at the Luxembourg Stock Exchange under the previous name followed by the new

This change of corporate name is made without any

stamp on the bonds nor

exchange of bonds. THE PRINCIPAL PAYING AGENT SOCIETE GENERALE ALSACIENNE DE BANQUE

Luxembourg Branch

U.S. \$150,000,000 **Midland International** Financial Services B.V. (Incorporated with firmited fiability in the Netherlands) **Guaranteed Floating** Rate Notes 1992

Guaranteed on a subordinated basis as to payment of principal and interest by Midland Bank plc

For the six months from 11th December, 1989 to 11th June, 1990 the Notes will carry an interest rate of 81/2% per armum.
The interest payable on the relevant interest payable on the relevant interest payment date, 11th June, 1990 against Coupon No. 20 will be U.S. \$214.86 per U.S. \$5,000 Note.

Agent Benk: Morgen Gueranty Trest Comp of New York

in full colour in the Weekend FT. To find out more, call Carol Haney on 01-873 4657

U.S. \$750,000,000 Lloyds Bank Plc (incorporated in Englar with limited liability) Primary Capital Undated Floating Rate Notes (Series 1) For the Six months December 11, 1999 the Notes will carry an interest rate of 8%% per annum, with a Coupon Amount of U.S. \$429.72 peyable on June 11, 1990.

By: The Classe Mandatina Bank, II.A. London, Agent Bank

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**US MONEY AND CREDIT** 

# Imminent easing brings little cheer Major tiptoes around funding issue

JAMMED tight in a narrow trading range for the past seven weeks, US credit mar-kets are failing to draw much cheer from the prospect of an imminent further easing in the Federal Reserve's monetary

Although people are still debating the timing of the next reduction in the Fed funds rate, they agree the move is already largely reflected in cur-

rent prices.
Consequently, many disgruntled traders are liquidating long positions, many of them at a loss. With investors sitting s. With investors sitting on their money, the higgest bubbub heard is from Christmas parties, not trading rooms. Optimists argue the central

bank will act to trim its Fed funds rate another ¼ point in the next few days to about 8% per cent. They make their case on economic and technical grounds.

although neither part of the argument is conclusive.
They suggest this week is the last chance the Fed has for easy and clean manipulation of bank reserves, and hence the Fed funds rate, before they eonal pressures. The new reserve statement period will bring corporate tax payments and huge demands for Christ-mas shopping cash.

Not until January will the ing work week shortened. Over ressures recede. all sectors, average hourly pressures recede. A flimsier argument is that the Fed has taken to acting shortly after monthly employment data are released, particularly eince November's figures, out last Friday, proved

troublesome to interpret. Some 210,000 jobs were created last month, about 50 per cent more than forecast hut insufficient to prevent ths unemployment rate clicking up 0.1 of a percentage point to 5.4

per cent.
Markets consoled themselves with the news that October's increase was scaled back dras-tically from the 233,000 jobs first reported to a paltry 93,000. Lumping both months together could be taken as evidence that the economy is still slowing down and is ripe for enother

The trouble is the employment data is once again prov-ing to be e wildly erratic indi-cator if followed slavishly in the short term. The latest data revision was the biggest since new jobs ballooned from

346,000 to 532,000 in June 1988. The data included other encouraging pointers, however, particularly in the goods-prod-ucing sector. Manufacturing employment fell by 27,000 in November, the eighth month in a row, and the manufactur-

Yield

Last

148.14

148.18 149.65 150.80 142.15 151.08 155.80

5.18

5.06

US MONEY MARKET RATES (%)

US BOND PRICES AND YIELDS (%)

NRI TOKYO BOND INDEX

7/12/89

148.30

5.86

earnings dipped, indicating that upward pressure on wages may be easing.
But the markets are deeply reluctant to take the next Fed

easing for granted after the debacle over Thanksgiving. What virtually everyone then took to be e Fed funds rate cut was only a transient technical problem with reserves.

The embarrassing misinter-

pretation appears to have tem-porarily rattled some analysts. Before, they would make bold pronouncements on the basis pronouncements on the basis of subtle signs: now, they want to be hit with a two-hy-four.

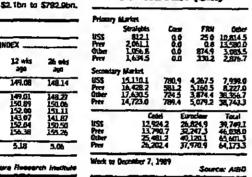
The problem was evident last Wednesday when the Fed's Tan Book of economic conditions was published. Compiled hy the 12 district federal reserve have been seen reserve banks hefure each meeting of the policy-making Federal Open Market Commit-tee, the report is always written in carefully measured

The latest indicated economic activity had weakened in two of the districts but in the other 10 was "stable to moderately expanding." Moreover, the report found "pockets of strength" in the manufacturing sector. With the words failing to paint a lurid picture of an economy on the brink of recession, some analysts gave up hope that the Fed would

The gloom deepened later in the day when an unnamed senior official of the Fed said the central bank's policy makers might want to see more tangible evidence of a weakening economy before cutting the Fed funds rate again. He said the committee might

want to see how the troubled housing and car industries

TURNOVER (Sm)



responded to the Fed's earlier ections before loosening condi-

It is bad enough that analysts have to rely on shifting and sometimes contradictory evidence to deduce what the Fed is up to Off the cuff com-ments from unnamed officials make their job even harder.

Snch loose talk "can only lead to divisiveness within the

Fed and to uncertainty in the markets," said Griggs and Santow, money market econo-While Treasury securities

drifted amid this sea of uncer-tainty, junk bonds remained the perkiest part of the market. The best names continued to recover from the Campean-induced autumn rout with, for example, some bonds of RJR Holdings Capital putting on the best part of a point during the week. Investor demand is spread-

ing down to mid-ranked names and underwriters are managing to bring some issues to the markets, at least the hetter quality ones.

An example of this is Mor-

gan Stanley's selling last week \$350m of bonds by which Jef-ferson Smurfit, the Irish group, and an investment partnership managed by Morgan Stanley will huy out the public shareholders in Container Corp. Given the recent turnoil in

the junk bond market, the latest official reserves figures, terms were favourable showing a fall of \$931m in gold received; \$350m of 10-year 13.5 and foreign currency reserves per cent subordinated debentures were offered at par, for

Even as bond traders and investors long to get the tail-end of 1989 behind them, securities firms are starting to publish forecasts for next year.

Merrill Lynch believes the
US will avoid a recession with
economic growth running at tabout 2 per cent and inflation at 4 to 5 per cent. Interest rates will continue to drift lowerearly in the year with Fed funds falling to 8 per cent but starting to rise in the second

half.
If anyone thought fun might return to the market next year, Mr Edward Taber, director of taxable bonds at T. Rowe Price, advised otherwise. He said the yield on the benchmark 30-year Treasury bond would fluctuate between 7.6 and 8.4 per cent but the market would be "boring and perverse."

Roderick Oram



# SUMITOMO CORPORATION OVERSEAS **CAPITAL LIMITED**

U.S. \$500,000,000

# Euro-Commercial Paper Programme

THIS PROGRAMME HAS BEEN RATED P-1 BY MOODY'S AND A-1+BY STANDARD & POOR'S

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THE FIRST appearance of Mr John Major, the Chancellor, before the Treasury and Civil Service Committee at the House of Commons last week told the gilt-edged market little new about funding policy, but it did offer another glimpse of the new "softly anftly"

approach at the Treasury.

Mr Major tiptoed carefully policy from Mr Terence Filg-gins, chairman of the TCSC. The Chancellor even allowed himself a little joke, admitting to the assembled MPs, journalists and analysts that there were probably only five people in the world who understood funding policy. One of them, Sir Peter Mid-dleton, the permanent secre-

tary to the Treasury, gave what is now clearly the stock Treasury response: the Government remains committed to the principle of full "unfund-ing" of the budget surplus and any changes in underlying foreign currency reserves.
Nothing new there, but doubts in the market remain over the Government's commitment to the policy, espe-cially in light of the amount of reserves the Bank of England

has employed this year to sup-port the alling pound.

On the same day that Mr Major appeared before the TCSC, the Bank released the latest official reserves figures, showing a fall of \$931m in gold

in November, after October's record \$2.9bn decline. The Treasury has stuck to the commitment made by the former Chancellor, Mr Nigel Lawson, at Mansion House in October that liquidity lost to the money market when the Bank buys sterling on the foreign exchange markets will be replaced through buying in of gilts "whenever appropriate." Mr Lawson made clear at the tims that this could involve buying-in gilts next year to off-set this year's intervention. Given the extent of the Bank's intervention to support the pound this year, the amount of gilts that would

have to be purchased next year could be considerable. In Octo-ber and November the poten-tial cost to the gilts market of official support for the pound was £2.4bn.
The question troubling the gilts market is, will the Gov-ernment go ahead next year and purchase gilts from private investors to neutralise the effect of this year's interven-tion on the liquidity of the

money markets? Much depends on whether redemptions of maturing gilts next year are similar to the 1990/91 budget surplus. The market expects approximately £8hn from redemptions next year. In this year's Budget the Treasury forecast a public sector debt repayment of £10bn for 1990/91. Given that the Treasury has already revised its forecast for

UK glits yields Restated at par (%) Dec 8,1989 Nov 10,1989

this year's PSDR down from £14bn to £12.5bn, and the likeli-hood that the slowdown in the economy will both boost public spending and reduce Govern-ment tax revenues, it is possi-ble that the hudget surplus next year could be close to the £8bn due in redemption. If this were the case, the

Government would have little room to buy-in gilts to reverse the overfund of this year'e intervention without loosening monetary conditions.

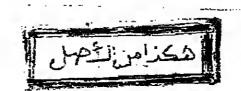
There is always, of course, the possibility that eterling could recover some of its lost ground next year. If it were to overdo its rally, the Bank could return to the currency markets to sell the pound in order to restrain its unwanted rise, effectively neutralising the impact of this year's intervention and eliminating the need for further gilt buy-ins. However, if the pound were to remain weak next year, as most analysts expect, then the authorities might be reluctant to sanction gilt buy-ins. Mr Avinash Parsaud, at UBS Phillips & Drew, claims the Treasury likes to time its gilt buy-ins to coincide with periods of sterling strength. because the purchase of gilts when the pound is weak can undermine ettempts to bolster

the currency. Although doubts exist over the Government'e readiness to buy-in gilts next year to coun-teract this year's intervention, the Treasury has left itself plenty of room to manoeuvre and the market largely in the dark. It stressed at the time of Mr Lawson's Mansion House speech that in sterilising cur-rency market intervention, flexibility was a key element in policy. With the anthorities able to make np the rules as they go along, the gilts market will have to put up with the current uncertainty for a good

while longer.
This week's raft of indicators expected to underline the UK's persistent problem with inflation. Mr Major's decision to let the pound fall - hardly good for inflation in the medium term - means that he has opted for a policy of muddling through next year.

**Patrick Harverson** 

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### UK COMPANY NEWS

# Norfolk chief blasts coup attempt

MR PETER EYLES, managing director of Norfolk Capital, the hotels group which has been subject to bid speculation, reacted angelly yesterday to an attempt to oust him from the lineard.

The attempt at a manage-ment coup is being mounted by a triumvirate headed by Mr Peter Tyrie, whose Edinburgh based Balmoral International has a total holding in Norfolk of more than 13 per cent

has a total holding in Norfolk of more than 18 per cent.

Mr Eyles's said: "Mr Tyrie's attempt at personal aggrandisement can only be regarded as totally ludicrous."

The move, which could split Norfolk's board, began last week when Balmoral bonght a 12.6 per cent stake in the grown. 12.6 per cent stake in the group from Mount Charlotte investments for £17m, or about 83p a share.

The proposal being put at today's board meeting is that

TRADING in the shares of

Anglo-Park Group, the Win-

chester property company, will start later this week.

Anglo-Park, which speci-alises in small commercial

property developments for sale.

is not raising capital.

Its shares are simply being introduced to the official list by Societé Générale Strauss

Shareholders had been prom-

ised that the company would go ahead with a listing but

plans for a placing were aban-

trick Har

Balmoral should take over the management of Norfolk Capital and that Mr Eyles should go. According to a Norfolk spokes-man, the management contract would "net Balmoral £7m within two years." The Tyric camp claims that

through discussions with directors and institutions, the holders of 30 per cent of Norfolk's equity are in favour of the Bal-

equity are m favour of the bar-moral proposals.

A company spokesman, how-ever, said: "The executive directors of the company will continue to support Mr Eyles and the majority of the board will continue to support him." One of the key figures on the Norfolk board is Lady Joseph, widow of Sir Maxwell Joseph, the founder of Grand Metropolitan. Lady Joseph, a non-executive director and shareholder, used to be Mr Eyles's mothers

the market.

Anglo-Park trading starts this week

There are 9.268m shares of

35p, issued and fully paid. Despite a rush of new issues

in mid-1988, property compa-nies have generally avoided coming to the stock market

since the equity crash of Octo-ber 1987.

have been readily available.

Apart from spurts of activity, often set off by takeover news or speculation, property shares have been sluggish and

Other forms of financing

She and another non-execu-tive director, Mr Tony Good, are among those believed to have been lobbled by Balmoral. Mr Tyrie is no stranger to boardroom splits. In 1985, when a director of Arthur Bell, the whisky distiller which was try-ing to fight off a bid from Guin-ness, he broke ranks to recom-

ness, he broke ranks to recom-mend the offer. He was then managing director of the Gleneagles hotels. A year later he left for Hong Kong to manage the Mandarin hotels chain and it was there that he joined forces with his present partners in Balmoral, Mr Colin Wearmouth and Mr

Returning to Scotland earlier this year, the trio set up Balmoral with the aim of raising £100m to buy about two dozen luxury hotels in various countries

doned because of the state of the sector has underperformed end of Anglo-Park's financial

Anglo-Park is therefore mov-

ing against the trend on tha grounds that quotation will

heighten awareness of the com-pany in the property market.

The group is the result of a merger last year between Anglo-City, formed in 1971, and Park, which was established

under the auspices of the Busi-

uess Expansion Scheme in 1984-85.

Net assets per share at the

the rest of the market.

amount, including backing from the Bank of Scotland, when the Norfolk "opportu-

what the Norfolk opportu-nity" came up.

Mount Charlotte, which had itself been regarded as a poten-tial predator, put the stake up for sale after agreeing to buy Thistle Hotels from Scottish and Newcastle, the brewing

and Newcastle, the brewing company, for £545m.

Balmoral's theory on Norfolk is thought to be that it would conceutrate on the hotels, which include the Royal Court and the Norfolk in London, the Caledonian in Edinburgh and the Royal Crescent in Bath. This has given rise to speculation that it would review such activities as the Norfolk Capital Inns, leisure developments and the St James's Clubs in London, Paris and Los Angeles, with a view to some disposals.

year, last June, were 78.43p

adjusted for a surplus on the valuation of development prop-erties, or 56.24p without the

Pre-tax profits in the year to

last June were £1.78m, provid-ing earnings per share of 22.4p. Gearing was 22 per cent. Shareholders received divi-

dends of 5p for 1988-89 and Anglo-Park says that future dividends would be recom-mended "at not less than this level."

# Guernsey Press repels **Jersey** invader

By Jane Fuller

THE CHAMPAGNE corks were popping on the flercely-inde-pendent island of Guernsey as news came through yesterday that Jersey-based Guitou's £17.2m hostile bid for Guern-

sey Press had failed.
Mr Frank Walker's Guiton
Group amassed acceptances
amounting to less than 18 per
cent of of Guernsey Press equity.

Emotions had run high on

Emotions had run high on Guernsey at the prospect of its only newspaper being taksn over. Mr Chris Sackett, managing director, said the decisive rejection vindicated the management's judgment that the bid was ill-conceived.

"I think the issue was decided not on Island loyalty but on company loyalty. We fought the bid on commercial grounds."

Frank Walker: would consider

He was confident that the company, which experienced a

substantial dip in pre-tax profit last year after several years of growth, had a good independent future. It also has

printing, publishing and retailing interests.

Mr Frank Walker, managing director of Guiton, admitted he might have under-estimated

the strength of feeling on Gnernsey. "Our faith in the commercial logic of a merger

The 118-for-100 all-share offer valued each Guernsey Press share at 300.9p, compared with the last matched bargain trade of 230p. There

was: also a 50 per cent.cash. alternative.
The offer lapses, leaving Guiton with the 2.4 per cent of the equity that it already owned. Mr Walker said his company would consider other acquisitions to expand the

acquisitions to expand the group as a printing, publish-

ing and retailing concern.

remains firm."

By Paul Cheeseright

FERRANTI International

Signal, the financially strug-

gling electronics group, is expected today to sell off its computer servicing business

computer servicing business for about \$17m.

The proceeds will make a modest contribition to filling the hole in the Ferranti balance sheet left by the alleged fraud perpetrated during the group's takeover in 1987 of International Signal and Control

Negotiations on the sale of

the computer servicing busi-

ness were being finalised against the background of ris-ing speculation that Sir Derek

Alun-Jones shortly will resign

The huyer of the business is



Ferranti starts disposals with

£17m computer business sale

Sir Derek Alnn-Jones, ing business has been fore-

ServiceTec, a private company, whose managing director, Mr Andy Anderson, was yesterday afternoon putting the final touches to the financing of the shadowed in two ways. Last September, Sir Derek told shareholders that, in order to reduce indebtedness, Fer-ranti would have to make

£100m of disposals. And, in its last annual report, Ferranti said it had been decided that "the civil systems group of Fer-ranti Computer Systems would reduce substantially the num-

reduce substantially the number of markat segments addressed by it and terminate certain businesses."

The disposal to ServiceTec is the first Ferranti has made to fill the gap in its finances caused by a £215m gross loss as these International Signal on three International Signal contracts and the subsequent after tax write off of £185m.

The disposals are part of the wider aim at Ferranti of finding another group with which it can merge or, failing that, to stabilise its finances through a £187.1m rights issue. Ferranti's immediate needs for working capital are being provided by 30 banks which have agreed with it a £300m package. closed at 41p, or 4%p above its

# United Precision doubled to £11m

UNITED Precision Industries, the UK's biggest manufacturer of bearings which became pri-vate through a management

vate through a management buy-in two years ago, has more than doubled its pre-tax profit for the year to September 30. Taxable profit of £11.1m com-pares with last year's £4.9m, which has been revised downwards from the reported £6.5m because of an annualisation of interest charges.

Operating profit advanced 48 per cent to £19.7m on turnover up 24 per cent to £128.9m. Net interest was about £8.5m.
UP was created to mount a

£73m buy-in of the RHP bearings business which, at the time, was the largest buy-in in UK corporate history.

Mr Morris said it had been a year of great change for the company. The Chelmsford fac-tory had been closed and pro-duction transferred to plants at Newark and Ferrybridge.
The sale of the Chelmsford

site and of land at Newark, where the company has its headquarters, notched up an extraordinary gain of £8.9m. This plus cash flow had created a cash pile of £24m.

Acquisitions in West Germany and Switzerland, which contributed for seven and three months respectively, had added £12.7m to sales.

This year the company expected 60 per cent of turnover to come from outside the UK, a switch from the 60 per

investment in information technology, providing facilities that linked order processing with manufacturing lines and the accounting system, as well as computer-aided design and engineering.

cent UK bias of two years ago,

UP had also completed a £5m

The company's largest divi-sion with £74m turnover, RHP industrial bearings, benefited from productivity gains and buoyant demand.

RHP aerospace, supplying aircraft makers, had been brought back into profit ou sales of £11m.

# BAe set to obtain outstanding payments

By Paul Betts, Aerospace Correspondent

BRITISH AEROSPACE (BAe) Saudi Arabia for military said it was "completely on course" in obtaining all outstanding payments on major contracts by the year end.

The group, however, said it could not confirm reports that it had just received a cash pay-ment of more than £1bn from equipment including Tornado and Hawk aircraft being sup-plied under the Al Yamamah contract.

the large outstanding payment putting the company on course

This advertisement is issued in compliance with the requirements of the Council of The International Stock Exchange of the United Kingdom and the Republic of Ireland Limited ("The Stock Exchange"). It does not constitute an offer or invitation for any person to subscribe for or purchase any securities in Anglo-Park Group PLC ("Anglo-Park").

Application has been made to the Council of The Stock Exchange for all the 9,268,091 Ordinary shares of 35p

each an Angio-Park to be admitted to the Official List. It is expected that the listing will become effective and that deslings in the Ordinary shares of Angio-Park will commence on 14th December, 1989.

ANGLO-PARK GROUP PLC

(Incorporated in England and Wales under the Companies Acts 1948 to 1981 Registered No. 1798738)

Introduction to the Official List

sponsored by

SOCIÉTÉ GÉNÉRALE STRAUSS TURNBULL SECURITIES LIMITED

SHARE CAPITAL

· In Ordinary shares of 35p each

But its statement suggest that Saudi Arabia had made

cash-wise with all its major by 31p to 557p on Friday.

Reports of the Saudi cash payment of around £1.3bn cou-pled with the British govern-ment's decision to join a French-led missile system to equip a new series of frigates helped boost BAe's share price

The latest Saudi cash payment is not expected to affect Yamamah contract with a new £2hu credit facility to avoid the huge arms-for-oil contract to be disrupted by fluctuations in

crude oil prices.

Rothmans Tobacco (Holdings) offer to acquire the issued B' ordinary shares of Rothmans International had been accepted by holders of 92.76m (31.27 per cent) on December 6. This was mainly in the form of an irrevocable undertaking from Philip Morris Products in

### **Rothmans Tobacco**

respect of 92.41 shares (31.16 per cent). As a result RTH now owns or has received accepcent of the 'B' and ordinary

### BASS, the leading UK brewer, has announced the sale of the the 1988 acquisition of Holiday Inn International.

**Bass sells Madrid hotel** 

villa Magna, its luxury hotel in Madrid for £50m. The buyer is Shirayama Corporation of Japan and finance has been arranged by Nomura International. This deal follows the sale in Soutember of 11 Span. sale in September of 11 Span-ish hotels for £45m.

· Bass said that luxury hotels no longer fitted into its long-term strategy for the development of its hotel portfo-lio. It added that its expansion plans in the international hotel business were proceeding on

Also it has acquired 38 hotels in Canada from Scotts Hospi-tality. Bass claims these two deals make it the biggest hotel operator in the world.

### Ross falls into red

Ross Group, the USM-quoted headphone and audio equip-ment distributor tumbled into losses in the six months to September 30 of £220,000 combusiness were proceeding on course through the agreement to purchase the Holiday Inn dividend. Turnover in the half rose to £3.67m (£2.22m).

Trident Petroleum (O Gas)

Wescol Grp. (Buildings) pared with pre-tax profits of business of the US, following rose to £3.67m (£2.22m).

### FT Share Service

The following securities were added to the Share Information Service in Saturday's edition: Abtrust Nsw Dawn B Wrrnts. (Section: Trusts)

CIA Grp. (Paper) Cons. Planatations (Planta-Drayton Asia Tst. (Trusts)

Do. Warrants (Trusts)
Garimore American Sec.
Zero Div. Prf. (Trusts)
Genesis Chile Fd. (Finance,

Mitsui Tst. & Banking (Banks)

# **BOARD MEETINGS**

Issued and Fully paid No E 9,268,091 3,243,832

Anglo-Park acquires commercial property in established and improving locations to which is applied its various skills, adding value by way of development, redevelopment, refurbishment, replanning and lease restructuring. In adding a project and construction management services to other companies and investors, where there is the opportunity to share in the development profit. Listing Particulars relating to Anglo-Park which were published on 8th December, 1989, are contained in the new issue cards circulated by the statistical services of Extel Financial Limited and may be obtained during normal business hours up to and including 28th December, 1989 from:

Société Générale Strauss Turnbull Securities Limited,

Anglo-Park Group PLC, Anglo-Park House, Southgate Street, Winchester,

and during normal business hours up to and including 13th December, 1989 from:

The Company Announcements Office,
The Stock Exchange,
46-50 Finshury Square,
London BC2A 1DD

11th December, 1989

Authorised

12,500,000 4,375,000

### Consolidated Gold Fields

Finance PLC £75,000,000

Guaranteed Floating Rate Notes 1995

unconditionally guaranteed by Consolidated Gold Fields PLC

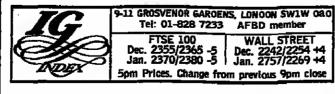
In accordance with the provisions of the Notes, notice is hereby given that, for the three months period, 7th December, 1989 to 7th March, 1990, the Notes will bear interest at the rate of 15% per cent. per annum. Coupon No. 20 will therefore be payable on 7th March, 1990 at £1,903.25 per coupon from Notes of £50,000 nominal and £190.33 per coupon from Notes of £5,000 nominal.

S.G. Warburg & Co. Ltd. Agent Bank

### U.S. \$500,000,000 CITICORPO

Subordinated Bank Adjustable Note Capital Securities BANCS

Notice is hereby given that the Rate of Interest has been fixed at 8.75% and that the interest poyable on the relevant Interest Payment Date March 12, 1990 against Coupan No. 13 in respect of US\$50,000 nominal of the Notes will be US\$1,105.90. December 11, 1989, London By: Citibank, N.A. (CSSI Dept.), Agent Bank





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GARBAN EQUITIES Liquidity No the market Garban Equities Limited Member of Member of The International Stock Exchange The Securities Association

li			FIN	ANCIA	, TIME	s sto	CK IND	ICES			
'		Dec 8	Dec 7	Dec 6	Dec	Dec 4	Dec 1	High j	69 Low	Since Con High	pilation
	Government Sets	83.14	83.02	82.98	83.02	82.93	82.98	89.29	82.93	127.4	49,18
ı	Fixed laterest	92.02	92.27	92.17	92.40	92.40	92.33	99.59	92.02	105.4	50,53
	Ordinary	1862.0	1850.9	1859.9	1836.8	1823.0	1833.6	2008.6	1447.8	2008.6	49.4
1	Gold Milnes	300.5	297.3	286.7	288.7	294.3	293.2	300.5	154.7	734.7	43.5
Ţ	FT-Act, Ali Share		1169.83	1172.69	1160.92	1150.51	1152.98	1225.80	921,22	1238.57	61.92
١	FT-SE 100	2363.5	2346.7	2353.7	2327.5	2303.4	2311.1	2426.0	1782.8	2443.4	985.9

# **EUROMONEY PUBLICATIONS PLC**

Notice is hereby given that the annual general meeting of the company will be held at the Stationers' Hall, Ave Maria Lane, London EC4 on Friday 12th January 1990 at 11 a.m. for the following purposes:

1. To receive reports of the directors and the auditors and the accounts for the year ended 30th September 1989. 2. To approve a final dividend for the year ended 30th September 1989 of 101/2p on each of the ordinary shares of 1p each then in issue.

3. To re-elect P J Saunders as a director. 4. To re-appoint Ernst & Young as auditors of the company and to authorise the directors to fix their remuneration.

By order of the board P Hewitt

Secretary 7th December 1989

1. Holders of international depositary receipts (IDRs) in respect of ordinary shares in the company may give directions in writing as to the voting of such ordinary shares on application to Banque International a Luxembourg SA (BIL) of 2 Boulevard Royal 2953, Luxembourg, attention Securities Department, and by depositing their IDRs with BIL or any of the agents mentioned on the IDRs. Such instructions must be received by BIL and such deposits must be made not later than 11 a.m. on Friday 5th January 1990.

2. It is proposed to pay the final dividend, if approved on 15th January 1990 to shareholders registered on 7th December 1989.

3. Holders of IDRs can receive their dividend, if approved, from 15th January 1990, by presentation of coupon number 5 to BIL or one of the agents.

**PRECAST** CONCRETE DESIGN & BUILD



Costain **Dow Mac** 

# Work for Willmot

**Building contracts totalling** nearly £8m have been won by WILLMOT DIXON. Work has started on a £2m

five-storey office building in Princes Street, Ipswich, for Wickhambrook Investments. The £850,000 contract to build a 31-bed extension to a residential home for the elderly in Bury St Edmunds n awarded by Care and

Comfort Homes. Willmot is working on a 23.5m contract to build a twostorey office with basement car park and associated landscap-ing, at Lytton Way, Stevenage. Two London contracts are

together worth almost £1.5m. One, for the Post Office, involves building loading bays and the conversion of a building to form a parcels receiving centre at the East London regional consignment centre The other is a three-storey office and car park at Prescoti Place, SW4, and is for LM.F.C.

### Mowlem wins Indonesian ioint venture project

MOWLEM INTERNATIONAL has been awarded Mulia Tower II, a US\$12.9m office development in Jakarta, Indonesia.

The scheme involves the fast-track construction of a 26storey, reinforced-concrete frame structure, and finishing work, with a double basemen and a five-storey podium car park.

The client is PT Sanggar Mustika Indah, an Indonesian property developer.

It is a nineteen-months contract which is being carried out in joint-venture with PR Jaya Konstrukski, contractors based in Jakarta.

### **CONSTRUCTION CONTRACTS**

# Refurbishment for Student Games

won a £16m management con-tract for the complete refurbishment of a 12-storey block of 365 flats in Sheffield to accommodate competitors taking part in the World Student es there in 1991.

Awarded by Northern Counties Housing Association, this is the group's largest management contract to date. Refur-

bishment of the block - one of four built together as deck-access maisonettes in the 1960's will include exterior over-cladding and replacement of mechanical services.

In the Byde Park area of Sheffield, the block will form part of the Games "village". Snhsequent finishing works will enable these flats to join Northern Counties Housing Association's stock.

In Sheffield, too, Gleeson has been awarded a £2.84m contract by the City Council for the replacement of private and public balconies to a five-sto rey block of 133 flats at Edward Street. The works involve pil-ing, fire protection and light-

# Finsbury Square office development

COSTAIN CONSTRUCTION has been ewarded a £12.8m contract by Basan Investments, a subsidiary of Great Portland Estates, for an office development on the corner of Finsbury Square and Wilson

The contract includes removal of the seven-storey structural steel building on the site, and construction of a

block comprising basement, lower ground, ground floor and six upper storeys with a total area of about 6,370 sq metres. The new building is to be constructed on piled foundations with reinforced concrete gound beams, basement slah and external walls to basement and lower ground floor. The office structure consists of a steel frame with reinforced concrete suspended floors, roof, shear walls and lift shaft. The building will be clad with natural stone faced and

reconstructed stone panels, double-glazed natural bronz and colour-coated aluminium curtain walling and windows. The entrance hall will have marble walls. The contract is due for completion towards the end of December 1991.

# Steelwork for Birmingham Airport

Orders totalling more than 25.5m have been won by HOR-SELEY BRIDGE, Tipton-based business unit of NE1 Thompson, which specialises in struc-tural steel fabrication and erec-

The largest contract, worth tural steelwork for the second

capacity for 2,500,000 passen-gers annually, almost doubling the passenger capacity of the airport. It will have its own customs, immigration, catering and retail services, and a pas-senger walkway will link it to the existing building. Horseley Bridge has also terminal at Birmingham Inter-

been awarded a £1.5m order for The new terminal, with gates for 10 aircraft, will have steelwork for an early warning huilding at RAF Fylingdales in The design of the new build-ing will take the form of a nine-storey pyramid

> Work on both these contracts has started, and both are dne for completion by April

# £8m services orders for Rashleigh

RASHLEIGH ELECTRICAL, a Trafalgar House company, has been awarded orders worth over

Under a £3.5m contract at The Exchange, a new shopping centre at Ilford, Essex, Bovis Construction has awarded Rashleigh a contract to install electrical services for the public areas, shop units, landlords areas, and car parks, totalling over 40,000 sq metres. This project is for the Norwich

Under a £2.6m sub-contract from Laing Sonthern, Rashleigh will supply and install electrical services for a new facility at Maidstone, for Mobil Data Services. The contract includes installation of HV and LV distribution, standby generation, UPS systems, high frequency supplies, fire detection, lighting and general power net-

Union Assurance Company.

At Millhank, London, a refurbishment and new huild

project being undertaken hy Taylor Woodrow Construction for Swedish developer Nisses Anders, has led to Rashleigh being contracted to supply and install the £1.7m electrical services package.

Main contractor Willett has awarded a £380,000 contract to Rashleigh to install all electrical services to the shell and core development at Guidioo House, Ancells Business Park, Fleet, for Trafalgar House Business Parks.

# Restoring Lee House in Manchester

(NORTHERN) has won a £6m contract to refurhish Lee House in central Manchester. creating 150,000 sq ft of office space and car parking, with a wine har and restaurant. The

MANAGEMENT facade is Grade II listed. The offices will be around a central courtyard, with Victorian-style canopies and landscaping. The project is scheduled for completion in autumn next year. The remaining part of the com-

plex, known as Churchgate House, is also due to be refurbished, with Team as manage ment contractor. The work, valued at £2m, will run concurrently with Lee House.

### REPUBLIC OF BOTSWANA

### WATER UTILITIES CORPORATION

**GENERAL PROCUREMENT NOTICE - INVITATION TO PREQUALIFY** 1. RESOURCE SYSTEMS MODELLING AND TELEMETRY 2. WATER USE AND AFFORDABILITY IN URBAN AREAS

Water Utilitles Corporation Is the Parastatal Organisation responsible for supplying the water needs of the urban areas of Botswana. An intensive capital development programme, including new sources, treatment works and bulk transmission of water is currently being

It is intended to award two consultancy assignment the first of which is directed at optimising yield effectivences and operational efficiency and the second at the provision of a sound basis for investment planning and emand management. Brief details are:

1. Resource Systems Modelling and Telemetry

Supplies to Gaborone, the capital city, will be obtained from a combination of 3 surface water sources. A groundwater resource can also be utilised to reduce risk of supply failure. Operational modes, hydrological characteristics and energy requirements vary widely between sources and with time at any individual source. The successful consultant, will develop a systems model which will be used to optimise yield and unit costs and minimise risk of multi source failure. A similar model is required for the Lobatse network. At the same time the consultant in liaison with a specialist supplier, will be responsible for the development, installation and commission of a telemetry installation which will enable systems monitoring to be undertaken at the principal operational centres.

Water Use and Affordability in Urban Areas

The Corporation operates on a commercial basis and is required to meet specific financial objectives. Natural condition in a semi arid enviornment result in high development costs, which are recovered from the consumer through the tariffs system. Complex relationships exist between demand, cost and affordability, and the consultant will be required, inter-alia, to:-

- Quantify in general terms, the ways in water is used by the urban/commercial/ industrial consumer and assess the demand/cost relationship for principal types of
- Examine the present tariff system and evaluate the benefits of change to the consumer and to the Corporation
- Establish means by which the escalation in demand may be reduced without detriment to consumer and connumity needs.

Firms or persons having the necessarry qualifications resources and experience to successfully complete either of the above assignments are invited to submit applications, with fully supportive details, to:-

The Chief Executive **Water Utilities Corporation** Private Bag 00276

Gaborone - Botswana

Teiex: 2545 BD 373852 Fax:

to arrive not later than Monday 15 January 1990.

it is intended that Terms of References will be issued to, and proposals invited from, a select list of consultants or joint venture partnerships in February 1990.

A more description of the assignments is available on request.

### DIARY DATES

### PARLIAMENTARY

Today

Commons: National Health Service and Community Care Bill second reading.

Motion on 1990 EC Budget documents. Motion on EC research and

development. Lords: Report of European Community's committee on transport infrastructure. Debate on health and envi-

ronmental problems in Poland. Select committees: Public Accounts: subject, publicity services. Witnesses: Central Office of Information, National Savings. (Room 16. 4.30 n.m.)

Commons: Motion on war

Motion on Electricity Supply (Amendment) (Northern Ireland) Order Motion on Ministerial and Other Salaries Order. Lords: Criminal Justice (International Co-operation) Bill, sec-

ond reading. Contracts (Applicable Law) Bill, second reading.

Teachers' Pay and Conditions Act (Continuation) Order. Select committees: Trade and

### **FINANCIAL**

COMPANY MEETINGS-Keystone Investment Co., St. King William Street, E.C. 1100 Lucias Industries, Metropole Hotel, Birminghem, 12.00 BOARD MEETINGS

Eurocopy Hardys & Hansons Harris (Philip)

Sheftestoury Venture Plent Group Vibroplant Group Wolverhampton & Dur

Cartion Communications
L1 Grup
Learmonth & Burchett Management:
Maring Inds.
Rucal Electronics
Rucal Telecom
Watergland Infl. Midgs.
Whitecrett
DIVIDEND & INTEREST PAYMENTSCestle Communications 5g

Chewron Corp 70cts
Coles Myer S0 2s
Elys (Wimbledon) 19
Exoon Corp. 60cts
First Interstate Oversess M
Homes Motor Co. 77
Keystone Irret, 7p
Lance 0.75p
Laural Intl., Irrets. NV \$48,5
Lloyds Bank \$488,19
Mistang Inters Fin. Serv. 8 \$488,19 m Fin, Serv. BV \$244,1 Mobil Corp. 65cts
Power Corp. 1.50
Proving 1.79
Regentures 0.50
Royal Bank C/ Canada \$222.34
Sears 1,525p

COMPANY MEETINGSMajedes Invs., Baltic Exchange, E.C., 12.15
P. Dorbale Ind., Church Road, Bookhem, 6.00
Scottish Metropolates Props., Alberty Hotel,
Glaspow, 11.30
POARD MEETINGSFinate;
Architectos Inv. Tal.
Blick
Cheming Groun
Devents-

Industry: subject, company investigations. Witness: Mr Michael Ashe. (Room 15, 11 Committee on a private bill:

King's Cross Railway Bill. (Grand Committee Room, Westminster Hall, 10.30 a.m.)

Wodnesday Commons: Opposition debates on "The effects of Government

policy on mortgage costs and housing" and "Femine in Ethiopia."

Motion on Education reform (Northern Ireland) Order. Lords: Debate on post-war changes in rural and suburban

Debate on the state of museums and art galleries. Select committees: Foreign Affairs: subject, Hong Kong. Witness: Mr Francis Maude, Minister of State, Foreign Office, and officials. (Room 8,

10.30 a.m.) Welsh Affairs: subject, incineration plant at Pontypool. Witnesse: Rechem International. Torfaen Council. (Room 18, 10.30 a.m.)

Energy: subject, electricity privatisation and its conse-quences. Witness Mr John

Security 1.000 or 12% St. 2013/17 Gpc Endeavoor Fd. 10.18cts

Hundry 3.5p London & St. Lawrence Invt. 2.34p Rothachia (J.) Hidge. Sp Tetracco Inc. 76cts WEDNESDAY DECEMBER 13 COMPANY MEETINGS-

Finale: Baggeridge Brick Colonnade Develo Thornton (G.W.) Interinst

Authority Invs.
Bulmer (H.P.) Hidgs.
Charter Consolidated

Dense Inv. Trust ERF Fuller Smith & Turner Honda Motor London Seconties

M & O Second Dual True

Maxwell Communication
Misorgate Inv. Trust
MidC Group
Priest (Bedjamin)
Smith New Court
Stewart & Wight
DIVIDEND & NITEREST PAYMENTSEast Surray Water Co. 1,4866;
Do. Ord. "B" Sik. 1 0257;
Do. Ord. "C" Sik. 0.7348;
Citymed Intl. 4,350

Johnston Grp. 4p
Johnston Grp. 4p
Midland Bank \$465.76
Photo-Me lott, 4 6p
Royal Bk, Of Scot. \$470.21
Securities Tat. Of Scotland U.S
THARSDAY DECEMS

Wakcham, Energy Secretary. (Room 6, 11 a.m.)

Trade and Industry: subject, special shares and the DTI. Witness: Mr Nicholas Ridley. Trade and Industry Secretary. (Room 15, 11.30 a.m.) Employment: subject, tour-

ism. Witness: Scottish Tourist Board. (Room 20, 4.15 p.m. ) Home Affairs: subject, Criminal Injuries Compensation Board. Witnesses, Lord Carlisle of Bucklow, chairman, and Mr D. North, secretary, of Criminal Injuries Compensation Board. (Room 15, 4.15 p.m.) Public Accounts: subject, housing needs and allocations and Housing Association grant.

Witnesses: Sir Terence Heiser, Department of the Environment, and Mr D. Edmonds, Honsing Corporation. (Room 16, 4.15 p.m.) Transport: subject, aircraft cabin safety. Witness British

Air Transport Association. (Room 17, 4.15 p.m.).
Procedure: subject, the working of the select committee sys-tem. Witness: Sir Geoffrey Howe, Leader of the House.

(Room 8, 5.10 p.m.) Committee on a private bill: King's Cross Railway Bill.

(Grand Committee Room, Westminster Hall, 10.90 a.m.)

Thursday Commons: Motion on EC documents on fisheries arrange-

ments for 1990. Landlord and Tenant (Licensed Premises) Bill, second reading. Motion on Supply of Beer (Tied Estate) and Loan Ties, Licensed Premises and Wholesale Premises Orders Lords: Greenwich Hospital Bill

second reading. Ministerial Salaries Order. motion for approval. Appropriation (No. 4) ((Northern Ireland) Order, motion for approval Education Reform (Northern Ireland) Order, motion for

Approval. Abortion (Amendment) Bill. second reading. Committee on a private bill: King's Cross Railway Bill. (Grand Committee Room, Westminster Hall. 10.30 a.m.)

Commons: Private members

Wallmen DIVIDEND & PITEREST PAYMENTS

2006 Spc Do. 16% Gtd. Sek, 2006 (for £5000) &

Do. 16% Gid. Sit. 2006 (Dr. 15000) And Califed Inc. 35th Carustian Cours prack Inde. 44cm Cummins Engine Ca. Inc. 65ch Dana Corp. 40ch Cummins Engine Ca. Inc. 65ch Dana Corp. 40ch Cummins Engine Ca. Inc. 65ch Dana Corp. 40ch Cummins Co. 11 2164p Dan. 25 Ord Fid. 50 11 8164p English & Ind. Tat. 6 6p Enguty & General 0.5p Era Grp. 10 Ensite & Aparcy Hidge. 2.25p Pt. 57ch Fieraling Fas Easters Inv. Tat. 0.5p Francing University Inv. 7st. 0.5p Corp. 150 Ord. 100 to 30.75048p De. 157 Ord. 100 to 30.75048p Cudshtone Grp. 5.15p

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Mercantile House House 7.23885pc
Crauge Free Bittle Invis. 92.98427p
Panar Gusterns Inc. 3cts
Petros Title
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Barbican, London

Earls Court

Barbican

British International Toy and

International Spring fair

(01-855 9201) NEC, Birmingham

Undersea Defence Technology

Conference and Exhibition

Scottish Boat, Caravan, Camping and Leisure Show (041-221

Exhb and Conf Centre, Glas-

Novotel, London

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January 27-31

February 7-9

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February 7-11

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Associated Paper Inde, Brown & Tawwe Country nos Advence Tech. 10.00 Low (Wm), Baird Avence, Dryburgh Industrial Estate, Dundee, 12.00 UDO Hidgs, Grail Estern Hotel, E.C., 12.08 BOARD MEETINGS. Wation & Philip UK Land Isachnet. Borthwicks Elza Tinaley Group Eve Group Fine Art Deva. Pitth (G.M.) Hidge. Gold Greenhess Troll Great Portland Ests. Hundon Metchant Set. Russell (Asexander) Valloursummer DIVIDEND & INTEREST PAYMENTS DIVIDEND a management of the control of the control of Tokyo (Curtoo) Heig. NV \$251.80 Banque Nationale Da Paris \$372.88 Calcorp Overseas Plannes \$25.22 Conversion 8 12 % Sic. 2002 4 5po Evereer Foods 3.5p Hernik Gold Mines 10cbs Leechs Permanent Brig. Soc. 1352.16 Mercury Asset Marrigantent Sp Nedlibra Finance BV \$2322.4 Rive Grp. 2p Southeast Bkg. Corp. \$467,05 Warborg (S.C.) 4 5p

tien Empire Sec. 5. Gen. 'Tet. Bedder's Hell, E.G. 12.00 C, 12.00 tatus, 1 Forum Place, Hattiski, dables, 12.00 restment Co., 3 Florbury Avenue, COMPANY MEETINGS-bloon Hidgs., Farmers & Reichets Livery Hall, 5 Coth Street, E.C. 11.00 tigh, Assets Trust, 1 Charlotte Square, le, Metropole Holel, Birthingham,

BOARD MEETINGS. Piness Grainper Trust Guiness Mahon Hidgs, McCarthey & Sons Strata Inva.

# Trade fairs and exhibitions: UK

Show (01-378 7131) Olympia

London International Boat Hobby Fair (01-701 7127) Show (0932 854511) Earls Court January 30-Rebruary 1

bition (0588 4658) Olympia February 4-8 January 10-12

**PUTING EUROPE (01-948 5166)** Olympia January 12-14 British Horse and Rider Show (01-834 1717) Wembley Centre'

Harrogate January 23-25 Overseas exhibitions

Current Business Fair - RIO NEGOCIO (01-499 0877) (until December

Rio de Janeiro

mber 12-15 International Telecommunications Exhibition - EUROCOMM (01-495 7977)

Hong Kong January 8-11 International Hotel, Restaurant

and Catering Industries Trade Fair - HORECAVA (01-495 7977)

Amsterdam January 10-13 International Home and Household Textiles Trade Fair -HEIMTEXTIL (01-784 0648) Frankingt

Carpets, Rugs, Decerative Goods and Home Accessories

Goods and Home Accessories Exhibition; and Jewelling. Gold and Silverware, Clocks, Watches and Gifts Exhibition (01-225 5566) February 9-18

International Boat Show (01-486 1951) ·

### Business and management conferences

December 11-12 Frost & Sullivan: Supervising personnel in a professional and technical environment (the Tritt method) (01-730 3438)

IGS (UK): Property developments and Government grants in the inner cities (01-863 6479) Cafe Royal, London December 13

Croner Conferences: Hazardous waste management in the 1990s (01-547 3333)

Royal Garden Hotel, London December 13-14

The Strathclyde Institute: International conference on strategic manufacturing (041-552 40117) Glenengies Hotel nnber 14-15

Euromanagers '89 Congress Towards a Euromanagers man-ket - issues and indistived (Brussels: (32-2) 5208188) January 11

Textile institute: Textile litteriors - a challenge to impossibile (061 834 8457) Heimtextil Exhibition

Anyone wishing to attend any of the above events is advised to telephone the organisers to ensure that there have been no changes to the details published

# **APPOINTMENTS**

## Chairman of **National Provincial**

**MATIONAL PROVIDENT** INSTITUTION has elected Lord Remnant as chairman from January 1. He succeeds Mr Jeremy Hardie who is retiring. Lord Remnant has been on the board since 1963, and is deputy chairman of Ultramar, Sir Christopher Foster of Coopers & Lybrand, who was chairman-elect at NPI, has resigned from the NPI board. This is to avoid possible conflicts of interest arising out of the proposed merger between Cooper & Lybrand, and Deloittes, NPI's auditors.

■ PEARCE CONSTRUCTION, part of Crest Nicholson, has promoted Mr Peter Clark from managing director, south west, to group deputy managing director. He is succeeded by

his deputy, Mr Don Ross. ■ CARROLL GROUP has appointed Mr Stephen Beer to the board of its UK retail property development and investment division. He was a main board director of

 Mr Jeff Wykes has been appointed client services director of SHERWOOD COMPUTER SERVICES. He was European regional customer support director with Cullinet Software. Mr Peter O'Hara joins as finance director from Abbey National Bank finance and insurance services division where he was a consultant. Mr Adrian Gyde has been promoted to finance director, and Mr Colin Ballantyne to client services director at subsidiary Sherwood Financial Systems.

■ Mr Barrie Davies has been appointed group financial controller at TOWER DISPLAY, exhibitions contractor. He was financial director at Egerton Trust's healthcare group, PPP

Mr Nicholas Greenwood has been appointed director of business development at CAPSCO SOFTWARE EUROPE, a subsidiary of Swiss Re. He was a partner at Bacon & Woodrow.

### THORN EMI has appointed Str Graham Day, chairman of Cadbury Schweppes, as a non-executive director from January 1.

es lev. Trust, 25 Coptiell

ming Japanese Inv. Trust, 25 Copthell Avenue E.C. 12.00 estora Capital, 1 Charlotte Square, Edin-burgh, 12.00

Mr John Houliston has been appointed deputy chief executive of DAIRY CREST from January 10. He was managing director of Ross

■ Mr Mervyn Blakeney has been appointed a non-executive director of WATSON & PHILIP from January 1. He was a main board director of Cadbury Schweppes, and managing director of Schweppes International. Mr J.C. Hadden. a non-executive director, has resigned. Mr Edward H. Thompson, group director. delivered grocery/retail division, becomes managing director of new subsidiary W. & P. Food Distributors. Mr Simon C.J. Kirkpatrick, group director, cash and carry, becomes managing director of W. & P. Cash & Carry. Mr Hamish M. Inglis, group director, catering division, has been made development and

planning director for the group. ■ Mr Geoff Topping becomes managing director of TAYLOR WOODROW CONSTRUCTION from January 1. He was joint assistant managing director, and succeeds Mr Tony Palmer



### Trafalgar House subsidiary posts TRAFALGAR HOUSE

BUILDING & CIVIL ENGI-NEERING HOLDINGS, comprising 16 operating compa-nies, has appointed Mr Ken E. Chambers (left) as finance director. He was vice president finance with Matthew Hall in the US. Mr David E. Driver (right)hecomes managing director and deputy chairman of the sub-contractor companies - Rashleigh Phipps; Trollope & Colls Joinery; Samuel Elliott & Sons; and Clark & Fenn. He joins from Drake &

Enterprise Exhibition (01-642 December 20-24 Late Late Christmas Shopping 7688)

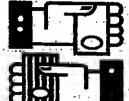
January 6-10 Construction Industry Com-International Lightshow Exhi-

Supercomputing Exhibition and Conference - SUPERCOM-

fanuary 13-18 International Toy Pair (01-226

Amsterdam December 15-17 Printing Exhibition - WORLD PRINT EXPO (01-628 1661)

# FINANCIALTIMES



elderly people in the As the proportion of population rises, the **British Government** wants charities to

play a bigger role in providing services to the public and is trying to promote an increase in giving to charities. Alan Pike looks at the prospects for the voluntary sector

# The slow drip feed of giving

more caring society, with a growth in community and vol-

untary activity.

There are at least three grounds for believing that this

grounds for believing that this may prove to be the case.

1. The proportion of elderly people in the population is rising sharply. This alone will increase the demand for care.

2. Unless there is a radical change in political direction, the 1990s will see a trend towards voluntary and private agencies, rather than statutory departments, in the provision of welfare and other services.

3. An increasing number of people who have enjoyed real income growth in the 1980s income growth in the 1980s

A Service of the serv

The second state of the se

4.74 130 1.42.4 growth in the proportion of the green" charities, educational elderly and very little about and religions charities; the trend to rely on voluntary agencies for welfare services. But whether those whose real income has gone up in the past few years will become more generous to those who have not done as well remains, at

best, a moot point. What, however, is certain is

THE SEASON for making rash, that Britain's charities and vol-blanket prophecies about the untary organisations stand on 1990s has arrived, and one of the threshold of a period of the fashionable ones is that Britain is about to become a under legal and commercial pressures to become more effi-cient, and open up opportuni-ties for development and expansion provided they have the organisational skills and finance to take advantage of

These pressures — combined with changes like this sutumn's lifting of the ban on television advertising by charities – are likely to see Britain's biggest and most businesslike charities becoming bigger and more business-like, probably at the expense of some smaller ones.

Everyone who comes to me

says that their charity is will want to put something unique, and all are right," says back into society by donating their time or money.

There is no doubt about the chief Charity Commissioner. There are tiny individual and "village are tiny individual and "village". research and campaigning organisations registered as charities and service-delivery charities.

Britain has no statutory defi-nition of what constitutes charity, and still operates on a classification by Lord Macnaughten in a famous 1891



# CHARITIES

court case, This, adopted again by the Charity Commission in a statement of its role last month, sees the purposes of charity as "the relief of poverty, the advancement of reli-gion, the advancement of education and other purposes beneficial to the community."

There are more than 165,000 charities registered with the Charity Commissioners, while the total number of voluntary organisations is estimated at around 350,000. In cash terms, the charity sector represents about 4 per cent of GDP, han-ding funds of around £13hn a year, and anything np to a remarkable 10 per cent of GDP

when an estimated value is put on voluntary activity. At intervals during the long history of charity in Britain, public concern has been expressed about the state of the sector - worries about cor-rupt and incompetent adminis-

tration led to the creation of

the Charity Commissioners early in the last century. Such concern has been renewed during the late 1980s. In 1987 both the National Audit Office and a report from a scrutiny team led by Sir Philip Woodfield called in strong language for action against sloppy accounting practices, fraud-and abuse. A white paper in

May set out Government pro-posals to overcome fraud and mismanagement, and a Bill is almost certain to be introduced in Parliament next autumn.

Many changes which do not require legislation are already taking place. The Charity Commission is being strengthened. Its investigation team, only four-strong a few years ago, has been increased to 40.

Over the next four years its entire register of charities described as unreliable and out of date in the National Audit Office report — will be comput-erised. This will enable the commissioners to run random checks on selected charities example, submit regular accounts will have warning notes added to their computer

"There have been various attempts through the years to regulate charities," says Mr Guthrie. "But this is the first time a combination of political will and technology has pro-vided the means to do it."

Charity fraud is probably not particularly widespread, and this is not the only reason for the Government wanting a more efficient, better-regulated woluntary sector. voluntary sector.

It is trying to promote an ducting a scrutiny of state increase in charitable giving, funding of the voluntary sec-

### CONTENTS

Business in the Community 2 The Red Cross; investment management 3 donation; NHS 'secret weapon' 5
'Affinity charity cerds"; Hiustretion Clifford Harper

tund-raising: Prince's youth business trust US corporate giving; payroli

organisations to play a higger role in providing services to the public. The growth of housing associations has been one recent example of this and the reform of community care for the elderly and handicapped, under which local authorities will be responsible for arrang-ing care but will be encouraged to use voluntary and private organisations to provide it, will

be another.
This change of political emphasis towards the voluntary sector will lead to government departments, local authorities and bealth authorities entering into clear, businesslike contracts with charities for the provision of specific services, rather than funding them through more general

grants.
The key to a successful shift of services to the voluntary sector is finance. High unem-ployment and social security changes during the 1980s have produced heavy demands on many charities' resources. Vol-untary sector leaders stress that they cannot compensate for reduced state welfare spending, and are not willing to run former public services

on the cheap.

They are also worried that changes in health, education and other services are, in effect, forcing large parts of the public sector to function like charities themselves. "On at least two occasions in the past year, Save the Children has been turned down for funding by a potential corporate donor in favour of e city technology college," says Mr Nicholas Hin-ton, Save the Children's direc-

A similar point was made last week in e report from the Directory of Social Change and National Council for Voluntary Organisations. This argued that the use of public money was turning the National Health Service into a unfair fund-raising competitor with charities.

"And if it is right for taxation to pay for charitable appeals by hospitals, will it also be introduced to pay for appeals by every school, every public library, indeed every public institution in the land? asked the report.

Ministers are currently con-

and people are more likely to tor, and the National Council support charities if they have for Voluntary Organisations confidence about the way they has stressed the need for public money to be used as a "stra-Government wants voluntary tegic resource to provide a statement stress to play a bloom of their forms of the forms of ble backdrop for other forms of fund-raising." Mr Michael Bro-phy, director of the Charities Aid Foundation, says the Government must spell out clearly what it sees as the role of char-ities and that of the state. Recent research does not suggest that Britain is becom-

ing more generous in its finan-rial support for charities. In its 1989 "Charity Trends" last month, the Charitles Aid Foun-dation showed that donations by leading companies have declined from 0.21 per cent of pre-tax profits in 1985-86 to 0.18 per cent last year, while average individual donations are still only around £2 a month. "We are a brilliant nation at disaster giving," says Mr John Patten, the Home Office Minister chairing the Government's voluntary sector scrutiny. "If a lifeboat turns over or we see pictures of famine in the Third World, the British are as generous as any country. But in terms of the slow drip feed of

ing, we are still on the starting blocks." He will be approaching the CBI, Institute of Directors and chambers of commerce in the next few months to explore ways of boosting the Government's payroll giving scheme, which offers tax incentives when charity contributions are deducted from employees' salaries. The growth of payroll-giv-ing, which is unlikely to raise f7m this year, has, he admits, been slower than expected.

regular, small amounts of giv-

Mr Patten wants to see both voluntary activity and corpo-rate support for the voluntary sector grow - his ideal is the much more strongly-supported charity sector in the US. He believes that community involvement by business, in terms of direct charitable support, the supply of equipment and secondment of staff, will occupy a growing place on the national agenda for the next

"I think there is some evidence that more employees in the future will want to work for socially responsible companor socially responsible compa-nies. In a time when labour market conditions are very tight, as they will be in the next few years, bigger compa-nies may well find themselves promoting their social responsibility as part of the incentive to people to work for them."



### The solution is money.

Accidents happen. Cruelty persists.

Whatever the cause, the RSPCA needs your help to relieve the effects.

Companies like Shell, Dalgety, Collins, and Bowater Scott already give theirs.

Next year, our 150th, we need sponsors more than ever.

If you'd like to be involved, call Gavin Grant on 0403-64181.

Or write to him at the RSPCA. Causeway, Horsham, West Sussex RH12 1HG.

Please.



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Alan Pike, Social Affairs Correspondent, on the importance of corporate support

# Shell: grants are good business

SHELL UK last year made a total contribution to the voluntary sector worth £4.8m, of which nearly £1.5m was in direct cash donations.

This puts the company in a top ten league table of Britain's leading corporate charity supporters, which is headed by British Telecom and National Westminster Bank - both exceeding £11m in total corporate support - Barclays Bank and BP.

and Br.
Last year 30 UK companies
donated film or more to the
voluntary sector when
financial contributions and the value of assistance-in-kind were combined, with the majority of these giving substantially more than fim. But even companies with anch relatively generous records of support for charity have to turn down most of the thous-ands of requests for help which

So why does a company like Shell give away any of its profits to outside causes? And how does it choose which causes to support?

"Large companies are part of the fabric of society, and we believe this creates expectations and placea obligations upon them to take on societal responsibilities beyond those areas directly relevant to their husiness activities," said Mr Bob Reid, Shell'a chairman, in a recent lecture on corporate social

He acknowledged that the company's motives in taking this view of its social obligations were not totally socially responsible altruistic. "By taking a Shell has a long

organisations

1987/88 total: £3.68bn

£1.138bn £926m £651m £639m

Public sector support for voluntary

Government grants to housing associations & societies



Bob Reid: "societal responsibilities

constructive interest in social

social responsibility is good

business and good business is

Non-departmental public bodies

Tax concessions

Health

authoritie

Shell has a long history of

community involvement and natters we are reinforcing our as in a growing uumber of identification with society. larger companies, the subject "If we can gain acceptance as a responsible, understandis regarded as mainstream and important enough to be the ing and sympathetic neighnsibility of a full-time bour, the size of the audiences specialist community affairs prepared to give us a fair hearing in matters of public debate about our activities is increased. In other words,

Tha activities of the unit divide between responding to thousands of straightforward requests for finaucial assistance which Shell receives each year, and setting up more substantial sponsorship and partnership projects.

Shell has a policy of making a large number of relatively small grants and charitable

donations rather than a few large ones. A grants committee of senior managers is responsible for considering. requests - although in reality most day-to-day decisions are made by a full-time grants secretary within guidelines set by the committee

Successful applicants are likely to receive around £1,000 and Shell expects nothing back from this in terms of publicity or recognition. But only about 5 per cent of the applicants

Shell has chosen to concentrate its community involvement on the support of activities in four main areas —

euterprise, education, the environment and the arts and these themes are reflected in both its general grant-making policy and its support for more specific

The company responded to the growth of unemployment, particularly youth unemp-loyment, in the late 1970s by detailing selected executives to examine ways in which small businesses could be stimulated. This put Shell among the earliest supporters of the enterprise agency movement, as well as leading to the development of the Livewire scheme to assist 16-25 years olds in creating their own work. This has helped 5,000 young people into self-

Mr Peter Hunt, manager, education and enterprise in the community affairs unit, says Shell does not scatter money or other resources at random good causes but concentrates on areas where the company believes it can make a specific, positive contribution. It does not see itself in competition of the biggest corporate donors, but is concerned to put time and energy into its community involvement programme to produce good quality results.

The company has provided schools with educational materials on oil-related subjects for 33 years - well before corporate community affairs become fashionable. More than 40 universities and polytechnics receive funds from Shell for research, scholarships and professorial

Other major activities are as diverse as Waste Watch - a scheme to recycle household waste run in conjunction with the National Council for Voluntary Organisations – the Shell Better Britain Campaign, set up to help community groups with local environ-mental projects, and a music cholarship organised with the London Symphony Orchestra.

Mr Hunt stresses that It is not only the community that beuefits from Shell's social initiatives - they have great potential value within the At any time Shell is likely to have around 10 managers on

It has been taken up by a number of organisations, notafull-time secondment to other

organisations, selected and deployed to develop their own careers as well as making able to voluntary organis-ations. The company has also budget from which any Shell employee who is an officer of a local voluntary group can obtain assistance of up to £350 for the organisation.

of how Mr Reid sees that social responsibility has become part of Shell's company culture. "It is not a bolted-on good works department, but a whole programme of activities in which a great many of our actively involved, as are many

FOR		RY SECTOR IN	
	Total corporate support (£000)	Cash donations (2000)	Pretex profit (£000)
Allied Dumber	1,195	1,068	1.067.000
Barcleys Bank	9,596	2,710	
British Gae	6,000	-	1,054,000
British Nuclear Fuels	1.404	198	100,000
British Petroleum	9,000	6,300	82A,000
British Telecom	11,841	5.289	2.437.000
Cadbury Schweppes	1.515	170	215,700
Digital Equipment	1.776	150	
Esso	3.500	1,231	302,500
eneral Accident	1.599	258	290,300
Glaso	1,149	420	632,000
Grand Metropolitan	1,179	750	575,100
ieron international	1,220 1,605	1.511	61,200
SM	4,243	1,108	511,500
	4,243 5,004	3.170	1.470.000
mperial Chemical Industries	5,396	938	843,000
Joyda Bank Marks & Spencer	3,500	936	529,000
varks & Spencer Victiand Bank	4,025 3,689	784	693.00D
Vetional Westminster Bank	11,340	2.147	1,407,000
		368	55,100
Nestié	1,035	490	339.500
Prudential Corporation RTZ	1,146	849 849	879.000
Royal Bank of Scotland	1,099 1,634	684	309,200
Royal Insurance	1,056	424	223,400
stell	4.843	1.483	265,000
Smith Kline & French			4.255
	1,232	1,075	420,100
Trustee Savings Bank	2,661	2.861	1,454,000
Inflever Inited Biscuits	2,454	931	120,000
Mykpasq .	1,020 1,680	381 871	223,200

# Benefactors urged to come to the aid of the community

THERE IS hardly an industrial town in Britain which does not have cause to be thankful to some 19th-century business benefactor for the provision of a library, college, hospital or housing development.

Philanthropy, out of a mix-ture of motives, was common-place in the days when the leading local industrialist lived in the big house on the hill overlooking the factories or mills which produced his wealth.

The head offices of today's companies are far more likely to be located in impersonal buildings in London or overseas, making relatiouships between modern businesses and local communities more distant than in the Victorian past. But during the 1980s business leaders have again faced calls to extend their sense of social responsibility beyond creating wealth and providing employment, and invest in local communities

and voluntary organisations. The call has been led by the Government, particularly so far as trying to persnade industry and commerce to support schemes designed to revive Britain's inner cities is

bly Business in the Community which has been responsible for eucouraging the growth of local enterprise

partnerships, employment initiatives, housing and environmental improvement schemes and many other local-level activities. BIC also pioneered

meut in education-industry

### Relationships are more distant than in the Victorian past

the Per Cent Club, under which mamber companies pledge to devote at least half a per cent of their pre-tax profits to community and charitable

During the 1980s many indi-vidual charitles have increased their concentration on the business community as a source of both direct financial support and partnership The National Council for

Voluntary Organisations has this year established a Corpo-rate Affiliation Scheme to enhance links between the corporate and voluntary sectors, and encourage companies to develop partnerships with voluntary organisations. Support for the scheme has come from the Department of Trade and Industry, the CBI and the Institute of Directors, and more than 20 leading companies have so far become

members. Companies contribute more areas during the 1980s has been in the secondment of staff. The Action Resource Centre, which acts as a broker between companies wishing to second staff and voluntary organisations seeking their services, last year arranged more than 10,000 days of sec-ondment work by 174 secondees. This resulted in 1,757 community organisations receiving professional assistance from secondees which, says ARC, was the equivalent of £1.4m-worth of resources in

Knowing how to make a suc-cessful approach to business is outside the direct experience of many smaller voluntary organisations. To assist them, the Volunteer Centre UK has published a booklet and set of worksheets which promotes the message that approaches are more likely to succeed if

egy rather than random requests for help.
Although seeking finance from business has become a growing priority for charity fund-raisers during the 1960s, the overall value of corporate support remains small compared with other sources of charity income. New Charities Aid Foundation figures show that last year 207 of Britain's largest companies donated around £142m-worth of assis tance - £61m of it in direct

they are based on a clear stret-

This compares with central government grants of £293m and total public sector support - when such factors as the funding of bousing associa-

### **British charity** organisers look with envy at the US

tions, local government and health authority spending on the voluntary sector and tax coucessions are taken luto account — of \$3.65n in

Estimates suggest that individual donors give a broadly equivalent amount to charity between £3bn and £4.5bn a year - plus the uncosted contribution of the time of volun-

Corporate support has grown steadily in cash terms during the 1980s - Charities Aid Foundation research shows a 55 per cent increase in real terms in the giving of the top 400 companies between 1984-85 and 1987-88. But there has been a slight drop in the percentage of pre-tax profits devoted to charitable activity. British charity organisers look with envy at the US, where corporate support for voluntary activities was worth an estimated £2.6bu last year, excluding donations from com-pany charitable foundations.

I he better invested your fund, the more money there is for your cause.

We're proud to report that, amongst the £1,800 million we currently manage, over 150 charities entrust their funds to us.

Our specialist Charities Team has many years experience in looking after charitable funds. For instance we manage Charinco, the first narrower range common investment fund for charities, established in 1975.

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Please remember that the value of investments can fall as well as rise and that the investor may not get back the amount invested.

# 



In an ideal world every child at Great Ormond Street would be well enough to go home for Christmas.

We'd never have to perform an emergency operation. Our intensive care wards would be empty. In reality, our work continues

24 hours a day, 365 days a year. 9,000 children are admitted annually, and another 70,000 will pass through our out-patients

As you can imagine, the specialised knowledge and dedicationneeded to care for them are enormous.

Unfortunately, so are the costs. We constantly need to raise money to update vital life-support equipment, to maintain teaching

standards (over half of the paediatric nurses in the country train with us) and to keep searching for cures for crippling and life-threatening diseases. If you'd like to make a donation

(or to know more about the work of the hospital) please send off the coupon.

No one will be more grateful for a Christmas present.

coupon and return it to: Paddy Vincent, Great Ormand Street Children's Hospital Fund, 49 Great Ormand Street, Landon WCIN 3HZ, I would like to: (please tick box) 🗌 give a donetion; 🗖 receive more information about the hospital's work; 🗖 receive more inform redevelopment of the hospital funded by The Wishing Well Appeal. Please make cheques payable to the Great Ormand Street Children's Hospital Fund

Help Great Ormond St.

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### **INVESTMENT MANAGEMENT**

# **Cost of being** authorised

have investment reserves back-ing their funds, as with a life

company, or an employer pro-viding a financial underwriting

undertaking as with a pension

Hence, charity portfolios tend to eschew the more risk-ier type of investment. They also need assets that can be easily realisable, hence

very little investment is made directly into property.

All these factors highlight the need for a personalised

approach to charity investment

management, for more person-alised than with, say, a unit trust where the usual aim is simply to maximise the return.

The major and several minor finance houses have had char-

ity investment departments established for decades, invest-

ment managers within those

departments being associated with charities for several

Indeed, many investment managers do far more than

simply invest the assets on behalf of the trustees. In acting for a wide range of charities,

these managers have acquired a wide knowledge of all aspects of charity operations and as

such can provide a valuable

service on all aspects of charity

Cazenove, the only major independent stockbroking firm

in the City, has some £600m of charity funds under manage-ment on both a discretionary

and non-discretionary basis. I

still operates on a non-fee

basis, receiving its remunera-

tion on the commission generated from the underlying

Mr Nicholas Pearson, of

Cazenove's charity investment department, who has been han-

dling charity funds for more

than 15 years, says that often

managers have to adopt a

backwards approach to fund management starting from what charities need and then

working backwards to get a

balanced portfolio to meet

investing for income

is likely to have

more prominence

those needs - an approach that is now just being consid-ered in-pension fund invest-

"Nevertheless; cost pressures

on all funds are rising to such an extent that managers are looking at the "pooled" fund approach to investment man-

years. But the Charities Aid Foundation, with Cazenove as

recently expanded the pooled concept with their Cafinvest

Income Fund and Cafinvest

These funds are registered as charities and are special range

holdings. So not only do they

they enable charities to hold equity investments beyond the

Cazenove will provide

administration services, if required. Many charities, how-ever, prefer to handle their own administration. However, with growing costs and the rundown of the Official Custo-

dian department, pooled funds provide considerable adminis-

tration cost savings.

How have charity funds per-

The WM Company, the largservice provider in the UK, has been operating a measurement

service for charities since 1984. Obviously, its service is used only by the major charities.

In aggregate, these funds hold around three-quarters of their assets in UK and overseas

equities. Over the past five years, the annual rate of return on the assets has been

over 15 per cent - double the inflation rate over the period.

This highlights the benefit of professional management. But

such returns are available to smaller charities through the

**Eric Short** 

Balanced Growth Fund.

ed fund

investment deals.

CHARITIES ARE now big business as far as investment management is concerned.

It is estimated that the aggregate total of funds held by charities is now in the £15bn to £20bn range and growing steadily. Roughly half this amount is available for long-term investment

The growing demands on many charities and the cost pressures of administration, both hit hard by inflation, make it imperative that trustees make maximum use of the funds entrusted to them. It is no longer sufficient simply to put the funds in a bank deposit

The responsibility for the investment of charity funds rests solely with the trustees themselves. Trustees should have their investment powers laid down in the trust deed.

Generally, powers can vary from those laid down in the 1961 Trustee Investments Act to very wide powers which give trustees considerable investment freedom. However, trustees will usu-

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ally be able to delegate the investment management, though they will still retain the overall responsibility for the use of the funds.

No longer is it enough to put funds in a bank deposit until needed

This is an important consideration because, with invest-ment markets growing ever more complex, professional investment management is essential to ensure maximum

use of charity funds. Here, the 1986 Financial Services Act impinges on the investment operations of chari-ties, as it has affected all

investment operations. Prior to the Act, many chari-ties received top investment advice free from professional investment managers acting in a personal capacity rather than for the merchant bank or stockbroker where they were

But under the Act such prosionals cannot give individual advice unless they are authorised. Very few managers expense and cope with the has-ale of getting authorised.

...The managers are authorised only in give investment advice and handle investments as directors, executives or employees of the merchant bank or stockbroker. So any advice given by such persons the merchant bank or stock-broker, with responsibility for any advice resting with the employer. And that usually costs money in the form of fees, and fees are rising. Thus when conditions make

it ever more necessary for charity trustees to have prop-erly organised investment port-folios expertly handled, the legal requirements act as a financial deterrent to getting such advice.

Other articles in this survey show just how varied are the purposes and objectives of charities, and the underlying investment strategies will be

Charities have wide-ranging objectives. It is likely that investing for income will have considerable prominence in many charities — far more prominence than is found in funds or unit trusts. Such port-folios will need to be structured with the prime aim of maximising income - indicating a bias towards fixed-inter-.

est holdings Nevertheless, in an inflationary era, it is essential that capital values are at least mainindicating a hias towards equity investment.

Moreover, charities will be experiencing widely differing cash flows. Some will be receiving a steady and regular income stream into their funds, usually accompanied by a steady outflows to fulfil the rticular charity's objectives. Others will have no income

outflows of money within a particular charity has a vital ring in the overall structure

Above all, there is a need for stability within the investment

THERE WERE, remarks Mr David Wyatt, international director of the British Red Cross, with only a grain of irony, two disasters in Mexico. One was the earthquake, the other the arrival of the relief

it is Mr Wyatt's job to ensure that it not only arrives, but that catastrophes are not made worse by the wrong sort of

Ball gowns - and left-footed shoes for disaster scenes

Bulky and relatively non-urgent goods can block up airports, delaying the arrival and distribution of higher-priority supplies. Stories of disaster service being fixeded disaster scenes being flooded with donations of hall gowns and thousands of left-footed shoes may sound fanciful, but workers say they are

am afraid a lot of well-intentioned help does more harm than good," says Mr Wyatt. "It is very difficult to tell people that you don't want their gifts, but we must encourage those who seek to assist to conceotrate oo meeting the needs of the

The British Red Cross, the British arm of the world's largest voluntary organisation, is probably best-known at home for its domestic medical and community work. But it is also one of the country's leading overseas relief charities. When aid is required,

It is easy for this to happen.

THE RED CROSS

# Why the best kind of gift is money

victims, not the needs of the donors."

The concept of the "needs of the dooors' encompasses a number of motives. Part of it is what Mr Wyatt describes as the "I must go and help syndrome." Well-intentioned volunteer workers arrive at earthquakes, floods and other disaster scenes without local knowledge, unable to speak the language and unprepared for the food and living condition they will experience. Not infrequently, such "relief workers" make e net contribution to the overall problem they come to resolve.

Meanwhile, back home in

Meanwhile, back home in the West, a distant disaster can become an excuse for a huge jumble sale. People who, again out of good intentions, donate clothing and blankets, fail to take account of the time and expense of sorting and ship-ning tonnes of often-unsuitable materials across the world.

materials across the world.
Unsolicited drugs can be an even bigger problem, taking up the precious time of medically-qualified staff in sorting out what is safe and suitable among pharmaceuticals which usually have their instructions in unfamiliar langu times, large quantities of drugs which have been banned in the West turn up at Third World disasters as relief supplies.

Even appareotly oseful donations can be rendered worthless unless they are matched to particular nee large part of the aid sent to

Drugs banned in the West turn up as reilef supplies

Bangladesh after floods affected two-thirds of the country was in the form of tents, eve though there was no dry land on which to pitch them. Food aid can be unsuitable for local oeeds, depress prices in the economy of the disaster area, or just go rotten before

Mr Wyatt gives a two-part answer to the question of how international relief agencies can best overcome these

"From the outset, you must restrict yourself to providing only the help that is requested. We do not know from

precisely what is required to tackle a particular problem. That decision must be made by people at the scene."

The Red Cross achieves this

by operating through its worldwide network of national Red Cross (and Red Crescent) societies. Local organisers submit their requests for help to the Geneva headquarters, which channels them to selected national societies around the world.

around the world.

This approach is linked to a clear pre-disaster preparedness programme. The British Red Cross maintains its own warehouse of essential supplies in London, ready to be flown anywhere in the world. By using their standby stock warehouse to be stock with the control of the c using their standby stock, Mr Wyatt's staff were able to fly more than 1m water purification tablets and 10 huge containers to the Lee ward Islands within hours of a request for help after Hurri-cane Hugo destroyed the fresh water supply in September. The other part of Mr Wyatt's reply is a familiar one in the

charity world. No donations in kind - even the best and most



David Wyatt, international director, British Red Cross

easily and swiftly transferable as money.

About 60 per cent of all the aid channelled through the

Red Cross's international network is in the form of food, clothing, vehicles, medical supplies and other types of material assistance. But the other 40 per cent arrives more quickly and can purchase exactly what is required, often puttlog valuable spendiog power into the local economy Money crosses frootiers,

says Mr Wyatt. "It can be used not only to buy goods, but to meet local expenses like paying for drivers. When we are giveo money, we are given speed and flexibility of

It is a theme which the British Red Cross is developing in its current fund-raising material. Money in boxes, says the slogao, helps disaster victims more than boxes of old hlankets.

Alan Pike

One in three people get cencer. One in five die of it.

Last yeer we halped to cure 90,000 peopla. Every yeer we meka reel progress in its prevention, detection and cure.

Wa fund one third of the UK's research into cancer.

Howavar, wa still remain antiraly dapendant

on voluntary contributions. There are a number of ways in which

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If you'd like to find out more, fill in tha coupon balow and post it to Isobel Murray-Playfair, Cancer Research Campaign, 2 Carlton House Terrece, London SW1Y 5AR or give her a ring on 01-930 8972.

See how your company could halp us in tha fight egainst cancer.

# Cancer Research Campaign

Fighting cancer on all fronts.

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I don't want to help the Concer Research Campaign. I want to help the

Pensions Correspondent portfolios. Charities do no

month's Charity Conterence and Exhibition in London. Partners

EARLY THIS month the North West Thames Regional Health Authority became the latest entrant to the "affinity" credit card market by launching a

Visa card through Girobank. The new card is the first to be linked to a health authority. By using it, holders of the card top up the funding of National Health Service hospitals in their region. Girobank hopes that in its first year this new card will raise £50,000.

Over the last few years the list of charity-linked credit cards has heen growing steadily. An increasing number of smaller banks and large charities seem to believe that charities and credit cards are natural allies.

Consider the list of credit cards of this type already in the field. They include the Bank of Scotland'e National Society for the Prevention of Cruelty to Children card; Girobank's Oxfam card; TSB's Save the Children Visa card, and Bank of Commerce and Credit's Green card.

Since then the scope of charlty cards has widened. Last year Leeds Permanent launched a Visa card tied not to one but to three different charities - Mencap, the British Heart Foundation, and the Imperial Cancer Relief Fund. Card holders choose which of the three they want to help. Midland Bank has also set up two card schemes serving a

MARKETING, the buzz word of British industry over the last

decade, is rippling through Britain's charitable sector. For selling themselves to the

public, in order to raise funds,

is becoming increasingly cen-tral to the survival of many of

Britain's charities.

It is a development that has

gained momentum, according

to Mr Stephen Lee, director of

the Institute of Charity Fund Raising Managers, which has 900 individual members.

"The major structural change since World War Two

has been that charities are no

longer run on the basis of private endowment," says Mr Lee.

In the explosion of charitable

activity in the 1960s and early

1970s, government and local government aid, as well as

local authority payment of fees

for services, were the impor-tant providers of funds for

However, that area of sup-port is in decline and so fund-

raising from the public is

becoming more important, says

Mr Lee. Public fund-raising, he

small part of charities' total

funds but the percentage will

get higger.
"Fund-raising," says Mr Lee,
is becoming more and more

central to charities' life and the

techniques are becoming more

sophisticated. The head of

fund-raising in one of the

larger charities might be responsible for delivering sums

the turnover of a small to medium-sized company."

says, is still a comparatively

Steady growth of links with credit cards

# spread of affinities

number of charities. Its Arts Card, issued on the Access/ MasterCard branding, is linked with the Arts Council and card holders, in effect, sponsor the theatre, gallery, or opera house of their choice.

Another Midland Bank MasterCard, the Care Card, allows its holders to sponsor one or all of 12 charities, ranging from Age Concern to the Terrence Higgins Trust. The charity receives £5 when the card is first used, followed by

Midland and TSB seem more interested in affinity cards than most of the other large banks, where scepticism about charity affinity cards prevails. Barclaye, for instance, has launched an affinity card, a special MasterCard for RAC members, hut it is just a club

That has not deterred other banks from entering the field, particularly smaller banks on the look-out for new ways of finding customers.

Bank of Commerce and

Credit International, for example, has been offering its environmentally aware customers a Greencard since late October. The card is a MasterCard and BCCI hopes that, through lt, around £2m will be raised in the first three years for a spe-cial fund to be devoted to environmental causes.

People with money for charities are sales prospects for other financial services

BCCI gave £50,000 to the Fund when launching the card and is donating 30p per £100 spent to the charity. The card is the latest in a series. Bank of Commerce and Credit International has issued

3 separate affinity cards linked to a variety of good causes. They include Care for the Wild, the Radio Society of Great Britain, and the Downs Syndrome Association. How much do charities gain from these link-ups? Leeds Per-

manent says that in the first

Care Card. year of its card £1m was raised for three charities, though one charity - the Imperial Cancer Research Fund - did much better than the other two.

"ICRF actually received nearly half the total income for the charities," says Mr Ralph Pittman, a spokesman for Leeds Permanent. "No one in the market seems to be disputing that we have earned by far the most for charity so far."

Few other credit card issuers are willing to indicate how much the sponsoring charity has gained from the card. However, Girobank says that its Oxfam card has produced £116,000 since October last

The success of the Leeds Visa card is largely to he explained in terms of the high profile edvertising campaign which accompanied its launch. Few other affinity cards have had so much publicity.

Most charities seem to be highly satisfied with the linkups they have made. There are, however, a number of issues which they have to bear in mind. One is that their affinity card relationship will have to

be exclusive. A charity has little prospect of issuing cards through several different banks, though NSPCC has a Bank of Scotland Visa card and is also one of the charities which benefits from Midland's

Mr Keith Bradhrook, press manager of the NSPCC, says that the arrangement was ami-cably reached. "We feel we do get a good deal out of charity credit cards. The only drawback which most charities a long time to get the scheme off the ground."

However, charities have to remember that a bank's interests in a charity card scheme are almost certainly commercial and practical, rather than idealistic. The hank will be strongly interested, for exam-ple, in the charity's mailing and memhership lists. Some decision has to be taken on how far these lists will be opened up to (or protected from) the attentions of the

Almost hy definition, people who have money to give to charities are good credit risks and are likely to be good sales prospects for other financial services. But they may take a with a charity leads to them being exposed to a sales drive from a bank.

**David Barchard** 

# MARKETING

# The new techniques

Whereas 20 years ago public fund raising was perhaps syn-onymous with the rattle of the collecting box, today a host of sophisticated marketing techniques is being employed with courses offered by the Institute to its professional fund-raising members — who are bound by codes of conduct,

Selling themselves to the public is now increasingly central to charities' survivai

Techniques include:

 Big gift fund-raising appeals - a technique suitable for major capital projects whereby prominent individuals commit funds to the appeal and also encourage their friends and business associates to do like-

 Sponsorship and joint pro-motions such as the World Wide Fund for Nature. The pro-active development of legacy income.

Corporate funding Direct mail and the developemployees' donations taken out of salaries at source. • Lotteries.

 Advertising ation of rules this year enabling charities to advertise on television.

 Trading.
 The Wishing Well Appeal,
 which sought to raise funds for rebuilding at Great Ormon Street Hospital for Sick Chil-dren is one of the best recent examples of the sophistication now employed in fund-raising.

"We had a whole marketing strategy," said Miss Janet Judd, public relations officer for the appeal. "The appeal was run as a commercial enter-

More than £54m - well ahead of its target - was raised by the appeal whose patrons were Prince Charles and Princess Diana.

and Princes Diana.

The appeal was in three stages. Throughout, it drew on several panels made up of distinguished industrial, commercial and advertising men and women - snch as Sir Kit McMahon, chairman of Midland Bank, Mr Robert Clarke, chief executive of United Biscuits and Lord Rockley, joint

practical help as the appeal

First, in the early 1980s, was the planning stage, developed under the auspices of Marian Orford, a professional fund-raiser. Ms Orford, with a small team, researched the whole area of charitable giving from how much certain compa-

A key factor was that the public could clearly identify the cause: sick children

nies gave to what wealthy indi-

viduals might give.
This meant that when the appeal went into its second stage - the private appeal fund raisers did not approach a company for £5,000, for example, and then find out later that it normally gave £10,000. Big gift appeals were made at this stage with panel members assisting through their own personal and professional con-

The third stage was the public appeal with activity includ-The operation of events.
 Benson. These people, who advertising in the cinema and
 Payroll giving - with gave their services free, gave on posters - with sites

donated hy poster site compa-nies end the campaign itself sponsored by Midland Bank. Major special events included Michael Jackson, the singer, donating some of the proceeds from a concert for the

Why did so many people sup-port the appeal? Miss Judd says: "Partly because we had done so much work in the planning stage - we had contacted so many people and gone on and on to them about what were were doing. Partly also because of the cause sick children with Great Ormond Street Hospital being a place of last resort."

While the Wishing Well appeal was ohviously an emo-tional appeal that quickly attracted a very distinguished cast of helpers, Mr Lee of the Institute of Charity Fund Raising Managers, says that many of the techniques it employed could be utilised by even the smallest charity.

A key factor in Great Ormond Street's success, he says, was that the public could clearly identify the cause phenomenon which should be given priority by all charities. "Fund-raising challenges charities to be much clearer about what they are and why they exist," says Mr Lee.

Lisa Wood

# PRINCE'S YOUTH BUSINESS TRUST

# Big donors targeted

Investors had the opportu-

nity, said the society, to invest

in something "more important than the Channel Tunnel, the electricity industry or even water." The opportunity was to

invest in the young people who

will make up the next genera-tion hy helping to finance

Britain's first safe house for

November, the Prince of Wales launched a £40m appeal to edvance the work of one of his charitles, the Prince's Youth Business Trust.

Just over a year later £36m of the money has been raised, and the remaining £4m is likely to be in the bank before the end of 1989.

This outstanding fund-raising by the trust, which helps young people start their own businesses, is even more suc-cessful than it looks. The Government has agreed to match pound for pound all the private sector donations collected in the appeal, so it will finish up with getting on for £80m.

Charities no longer put out general appeals for money and sit around waiting to see what happens — fund-raising is far too competitive than that. Distinctive features of a particular charity have to be marketed with skill, and targeted at cho-

sen potential donors. The Prince's Youth Business Trust has raised its £36m within a year as a result of a deliberate decision to go for a tions rather than a much larger number of small ones. Companies and wealthy individuals have been approached with requests to make contri-butions in this spirit, and most donations have been for sub-

stantial four-figure sums.

The trust has had a number of particular advantages to exploit in adopting this approach. Developing youth husinesses is a flavour-of-the ans mainstream canse with which wealthy business people have no difficulty in identify ing, and it is a subject with which companies are familiar and in which they are likely to be willing to invest their chari-table funds.

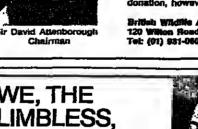
Donors had the satisfaction of knowing that their contribu-tions would double in value because of the Government's undertaking to match private sector money pound for pound. And the prestige of having an active royal president in the Prince of Wales, and an energetic, well-connected advisory council chairman in Sir Angus Ogilvy, can be worth millions

to a charity, quite literally.
No all good causes directed at husiness people are as suc-cessful. The Children's Society hit on what looked like an original way of aiming an appeal at the financial community - it circulated prospectuses for what was described as the "best investment opportunity of 1989" to leading organisa-tions in the City of London.

British Wildlife Appeal

RSNC "The wildlife of Britiain is under threat, Ancient woodlands, old flower-rich west meadows, ponds, and grasslands, wet meadows, ponds, and much else have all declined to the point where if action is not taken NOW there will be little left for future generations to enjoy. Please help us to achieve our target of £10 million by sending your donation, however small, to me at"

British Wildlife Appeal, Vigilant House 120 Wilson Road, London SWIV 1JZ Tel: (01) 931-0601



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# HAPPY ENDING

Long life and happiness - that's what we all say. But there is a price to pay for living longer. Ours is currently £1 Million – to begin a building programme to provide more nursing care and better accommo-dation for the old and needy. Please help us to ensure that this vital project, too, has a happy ending.
We have been looking after the elderly since
1905 and now have eleven residential homes. Here,

men and women from professional backgrounds find security and freedom, for the rest of their lives, with nursing care when necessary. Friends of the Elderly also give financial help to all old people who wish to stay in their own homes.

Please be a Friend and make a covenant or remember us in your Will. The old should lead happy and dignified lives - they deserve nothing less.

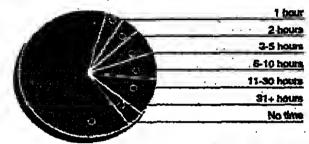
Write today with a donation and enquiry to: The General Secretary. Friends of the Elderly (Dept. FT ). 42 Ebury Street, OF THE ELDERLY LONDON SW1W0L2 Registered charity number: 226064 and Gentlefolk's help

young runaways.
Nearly 100,000 young people leave home every year, often to escape physical, emotional or sexual abuse. Many end up on the streets, and get up involved in crime, drug-taking and pros-titution. In 1985 the society established the safe bouse as a place where young runaways could be housed, counselled and returned home or to a place of care. The society is spending £1m a year on its work with young

runaways, and hoped that the novel investment appeal to the City would raise £300,000 to extend the work of the safe house interest has, however been low end hy the end of last month the appeal had raised just £54,427.



Hours spent per month helping charities in the UK



Source: Charities Aid Founds

# The Charities Official **Investment Fund**

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When his ship was torpedoed... so was his future peace of mind

Leading Seaman R....t H......n served right through the war. He was torpedeed in the Atlantic and suffered from exposure. He served in Landing craft, and his home received a direct his from a bomb while he was them on leave.

received a direct for from a portral where no was there on leave.

In 1945 his mind could take no more, and he spent the next 25 years in and out of memal hospitals. He more these with us.

Sailors, Soldiers and Alimen still risk mental breakdown in serving their country. However brave they may be, the strains are surrelimes unbegrable.

"They've given more than they couldplease give as much as you can."



EX-SERVICES MENTAL WELFARE SOCIETY GROADWAY HOUSE, THE BROADWAY, WINGLEDON SWIS THE TEL ST-643 6333 Please had englosed my donation for \$501201301540 or change my Access/Visa card No

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we don't tell disabled people in our care.

> We don't tell them what to wear. We don't tell them what to eat. We don't tell them what time to

We don't tell them where to live.

go to bed or get up. We don't tell them what risks to

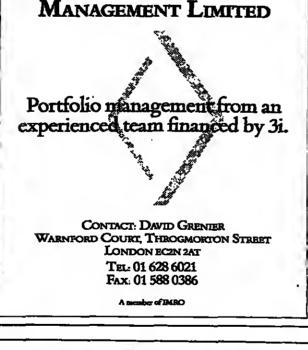
In fact, whether we're helping in their own homes, or onc of ours, we say nothing that could in any way infringe on the basic human right to choose what to do, and when to doit.

For more details about our work please telephone or write to us at the address below.

The Red Feather can use all the help it can get.

THE LEONARD CHESHIRE **FOUNDATION** 

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We will	never forget you
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AN R	
Please-	
Remember	74
A donation, a covenant Giving Scheme to The soldiers, ex-soldiers	, a legacy or through the Payroli Army Benevolent Fund will help and their families in distress
TO: THE ARMY	BENEVOLENT FUND
[] I enclose a donation of §	Solv date of card

THE RISE in US corporate charitable giving in the early. Reagan years was remarkable, and yet little remarked. Contributions tripled from a total of \$1.2bm in 1975 to \$4.5bm in 1985. According to figures compiled jointly by the Conference Board and the Council for Aid to Education in their annual surveys of corporate giving total cash contributions sogred from less than 0.9 per cent of pre-tax profits in 1979 to an all-time record high of almost 2

PUST.

per cast in 1985. Not included in these figures are the in-kind donations that many companies make to non-profit organisations, from the loan of company personnel or the free use of printing and computer to interest-free loans

But while US corporate giving remains at a high level by international comparison, the boom years now seem over. From the peak in 1985, contri-butions have flattened off. In 1967, despite a 13 per cent rise in corporate pre-tax income, there was no corresponding increase in giving indeed, in real terms, total corporate giv-ing fell by about 4 per cent in 1987. The immediate prospect seems to be cautious and

steady growth at best. At the same time, fuelled by the recent rapid upsurge in giving, expectations have grown about the business community's ability and willingness to take responsibility or at least to pay for - a whole series of major national social problems, ranging from illiteracy to homelessness. While corporate giving in dollar terms accounts only for some 5

A "controversial practice" of using public money for fund-raising appeals in the National Health Service is growing rap-idly, said a report last week by the Directory of Social Change and the National Council for Volume Alex Piles Alex Piles

The report highlights an issue causing mounting con-cern to charity organisers the emergence of hospitals and other state-financed institutions as competitors for public charitable donations.

Health authorities and NHS hospitals, says the report, have a combined charitable income of about £170m and assets of nearly 2800m. Except. In some teaching hospitals,

4.1.5

Penny Duckham looks at US corporate giving

tary and secondary schools

have mushroomed: from 42,000 in 1988-84 to 140,800 now. Part-

nerships generally involvs businesses in providing special scholarships or incentives for students and sometimes teach-

ers, or the use of corporate

facilities and summer jobs.
This uniquely American

approach is certainly recognised – and admired – by for-eign observers. In Canada, for

example, a major public/pri-

vate campaign is currently

under way to boost charitable philantbropy. Particular emphasis is being put on the fact that individual Americans

are three times more generous than Canadians, and that US

companies give four times the

amount that Canadian compa-

nies give as a percentage of pre-tax profit.

There is an impact, too, on US-based foreign concerns.

During the hitter Grand Metro-

politan takeover battle for the

Minneapolis-based Pillshury

company last year, British and

FUND-RAISING

he through a league of friends or independent appeal charity. This changed when the 1980

Health Services Act allowed

health authorities to organise

their own appeals and use exchequer funds — repayable from the appeal proceeds — to cover the leunch costs.

"Since then, there have be

an increasing number of well-

organised and often profes-sionally-managed charitable

appeals," says the report. "At

per cent of all private giving – with individuals contributing 82 per cent – there is an ng tendency to look to business to solve seemingly intractable social problems.

In principle, the business community appears willing to assume a major role - in part, out of sheer self-interest. Education remains the top recipi ent of corporate dollars, attracting over 43 per cent of all corporate donations in 1987. Business leaders make no bones about the fact that this is directly related to their concerns about future workforce recruitment, and the US's ability to compete in world mar-kets by the year 2000.

As Mr William Heron, Citicorp's Group executive for US Citicorp is funding a large scale scholarship programme because "in global economy, American business will pass or fail in the classroom."

In part though, business involvement stems from a

deep-rooted sense of corporate social responsibility and an active commitment to the community - both in terms of dollars and volunteered time that characterises American corporate life. Companies, big and small, typically encourage their employees from the most senior executive officer down to take an active part in local Innteer mitiatives Many companies have copied

health authority members are

the charitable trustees for this

The report says it is inap-propriate for a health author-ity to act as a fund-raising

of a conflict of interest in the dual roles of health authority

Until 1980 hospitals were

not allowed to undertake

fund-raising in their own

names, If they did so, it had to

Generous, but less so US standards came under scru-tiny, with comparisons made of the two companies' records for a scheme that IBM started in 1971, to give their employees paid leave for up to a year to

work for non-profit community organisations. An expanding made of Pillsbury's long-standpart of many companies' con-tributions programmes goes in employee-matching gifts: over \$108m in 1987 to educational ing reputation as a generous local donor, with the implication that, hy contrast, the Brit-ish conglomerate would slash ths company's local commu-Within the education area, partnerships between local businesses and public elemen-

nity programme.

The Japanese suffer from a particularly poor reputation in this respect. In a recent speech, Mr Sadabei Kusumoto, president of the Minolta Corporations. tion, warned his Japanese colleagues to increase their corporate charitable activity in America, because "failure to play an active part in the com-munity will brand (Japanese) companies as irresponsible outes and dim their prospects

for the future." Significantly, some of the major Japanese companies in the US, such Hitachi and Matsushita, have now started to emulate their US counterparts and are setting up their own corporate foundations to channel donations in the US. Corporate foundations are certainly an increasingly popu-

lar vehicle for US corporate giving - six out of 10 compa-nies surveyed by the Conference Board to 1987 had their own foundations, compared with four out of 10 in 1977. But an elite group of corporate ing to the Foundation Center,

first, these were usually for

'extra' or unusual facilities argued to be outside normal

NHS provision, such as semners or hydrotherapy pools,

More and more, we are seeing

appeals run simply for the cap-ital needs or even the ordinary

The implications of recent

growth in charitable appeals

in the health service are,

alarming, the report argues. "And if it is right for taxation

292,915

running costs of hospitals."

857 corporate foundations accounted for 96 per cent of the assets, and for nearly 99 per cent of all the dollars paid out by corporate foundations. While such foundations are

totally distinct from direct corporate giving programmes, they may well be closely co-ordinated and even administered by the same staff - though they are legally separate, and subject to different regulations and reporting requirements. The peak growth in corporate foundations dates from 1975 to 1979, when parent company contributions rose by \$330m or nearly 192 per cent. Since then, despite the growth in numbers, donations from such founda-tions have been declining

In a recent speech on volun-tarism, billed as a major policy statement, President Bush picked up an old theme from the early Reagan era: the need for the community at large -business, individuals, state governments and civic groups to take on greater responsibilities for a wide range of

social problems, rather than to depend ou the Federal Government for funding or services. Launching the Points of Light mitiative, to be backed by a \$25m annual budget to be agreed by Congress, with matching funds from the pri-vate sector, the President made clear that its impact would depend entirely on volunteer efforts, both in terms of dollars

It remains to be seen whether the spirit and enthusiasm - and the economic conditions - that led to the hoom of corporate giving in the early Reagan years can be revived.

to pay for charitable appeals by hospitals, will it also be introduced to pay for appeals by every school, every public library, indeed every public institution in the land?

"Will they be empowered, as health authorities now are, to buy advertising time on television with public money for charitable appeals? And how can independent charities hope to compete with the power of the public purse?"

If a sound hasis for fundraising in statutory bodies which could benefit from a charitable input is to be established, says the report, Parlia-ment should consider the issue when it debates the reorgani-sation of the NHS and the new Bill on charities regulation.

Charity and the National Health, Directory of Social Change Radius Works, Back Lane, London NW3 1HL, £20.

### PAYROLL GIVING

# Workers slow on uptake

TWO YEARS ago, the Chancellor of the Exchequer provided charities with what should have been a godsend: income tax relief on donations deducted directly from employ-

ees' salaries.
The Government expected that this would encourage peopls to give money to charity on a regular basis and boost total donations. Yet payroll giving has spread far less rapidly

among the working population than originally hoped. Charities dspeud very heavily ou individual dona-tions: these are the single most important source of income for voluntary groups. According to the Charity Household Survey, it is estimated that between 23bn and £4.5bn was donated to charity in 1988-89. The median mouthly donation is about £2. But only 9 per cent of charitable donations are made through payroll deduction schemes and covenants.

Payroll giving, sometimes known as Give-As-You-Earn (GAYE), is simple for donors to use. People do not have to fum-ble in their pockets for loose change when approached by a tin-rattling charity representa-tive in the street. Instead, they fill in a form specifying which charity or charities they would like to give money to and how much they would like to contribute each month.

Thereafter, the sum is docked from the person's salary each month by the employer, seut to a charity sgeucy along with other donors contributions, and then passed on to the appropriate charities. Several charity agen-cies handle donations, exacting a fee of up to 5 per cent to cover the administration.

The money is deducted from the donor's gross salary and received tax-free by the charity: thus, if someone donates £120 a year to a charity, that is deducted from the gross salary which means that a basic rate taxpayer would "lose" only 190 from his net income.

A receut survey by the Charities Aid Foundation (CAF), the largest agency collecting money from payroll collection through a payroll scheme, to any requested charity, says shows that those who use only 12 per cent of employees GAYE like it as a means of payment 68 per cent of payroll donors said they thought that deduction from pay was the best way to make donations, while 16 per cent thought cove-

nants were the best method. By comparison, among non-payroll douors, 58 per cent thought cash was the best way to donate money, while 18 per

cent preferred covenants. CAF's market research also shows that of those people who use a payroll giving scheme, 98 per cent thought it an "axcellent or good" method of giving to charity. Mr Michael Brophy, director of CAF, uses this finding to squash complaints by charities who argue that payroll giving is "complicated and user unfriendly." Users say they like the system because it is tax-efficient, easy to use, painless, regular, convenient -

and because the administration is done by somebody else! The research shows that 11 per cent of those who donate through GAYE are at the top end of the range, contributing £31-£40 (ie, close to the £480 threshold); half donate £5 to \$10, and 10 per cent give £1-£2. Given the advantages of pay-

Promoting the scheme is "a bit like trench warfare"

roll giving schemes, many charities hoped that they would prove a runaway suc-cess. But in fact, payroll giving is growing rather slowly.

Mr Brophy points out that GAYE is "quite an important part of the furniture" among charity households alougside traditional methods such as sponsored events, door-to-door collection and charity catalogues, and the newer schemes such as affinity cards (these are ordinary credit cards which donate a small percentage of the amount spent by the cardbolder to a particular char-

ity or arts organisation). However, Mr Brophy admits that promoting payroll giving is "a bit like trench warfare' and that untake has been slow. Barnardo's, which as well as being a charity also acts as an agency and distributes the take up the scheme.

In the 1968-89 tax year, pay-roll agencies received a total of £3.94m, with CAF alone collect-ing £3.55m. As the largest agency CAF has netted nearly

100,000 employees at over 2,000 different employers since the scheme started in April 1987, distributing the proceeds to 4,750 charities and branches.

The smaller agencies, some of which operate only for one employer, collected between with one employer contracted) and £206,856 (Barnardo's).

The problem is that charities and employers seem in o muddle about bow to encourage more people to participate in payroll giving schemes. "The second year of payroll deduc-tion could be characterised as the year when charities asked smployers, and employers asked charities to take a lead. The outcome was that charities were disappointed that they failed to gain regular access to were disappointed that chartties failed to work together to maximise the promotional opportunities which they made available" says Mr David Wick-ert, director of GAYE at CAF in the report "Charity Trends Mr Brophy is highly critical of charities for not making enough of GAYE. "The chari-ties made half-hearted efforts to collaborate, hut found the difficulties of getting into the workplace sufficiently offput ting that they gave up. Fow

ment for not promoting it" In other words, charities need to adopt a more professional approach to drumming up supporters, for example by targeting them with mailshots and hy approaching them face-to-face in the workplace, It is much easier for a charity to sign up supporters if canvassers are allowed into the office to give talks and promote their cause with the consent of the

charities are now pushing the scheme effectively; many

mehow blame the Govern-

CAF would like to see GAYE schemes extended to the self-employed so that well-paid regularly. But probably a more effective way to draw in money would be to raise or abolish the limit of £480 a year that quali-fies for tax relief. The charities have asked for the figure to be raised to at least £1,000 a year to help attract big earners, but so far the Government has shown no signs of obliging.

### Central Government Grants (in 2000s) to Voluntary Organisations 1982-83 1964-85 1987-88 Department 1986-87 Agricult, Fisheries & Food 2,361 16,230 33,294 1,118 3,612 76,011 7,207 40,290 1,067 6,180 Education & Science 12,381 Employment 23,267 Employment " 976 Environat - direct grants 763 Environat - Urben Programme 27,000 1,203 37.500 Foreign & Commonwith Office 32,046 15,462 15,559 35,076 19,541 30,058 Home Office 9,480 9,030 6,500 4,897 5,600 440 3,280 862 14,975 26,823 8,970 18,600 8,669 636 14,264 42,476 9,790 20,400 9,069 671

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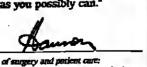
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 all without government or university financial suppo



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CAFINVEST

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CAZENOVE FUND MANAGEMENT 16 Tokenhouse Yard

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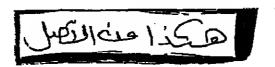
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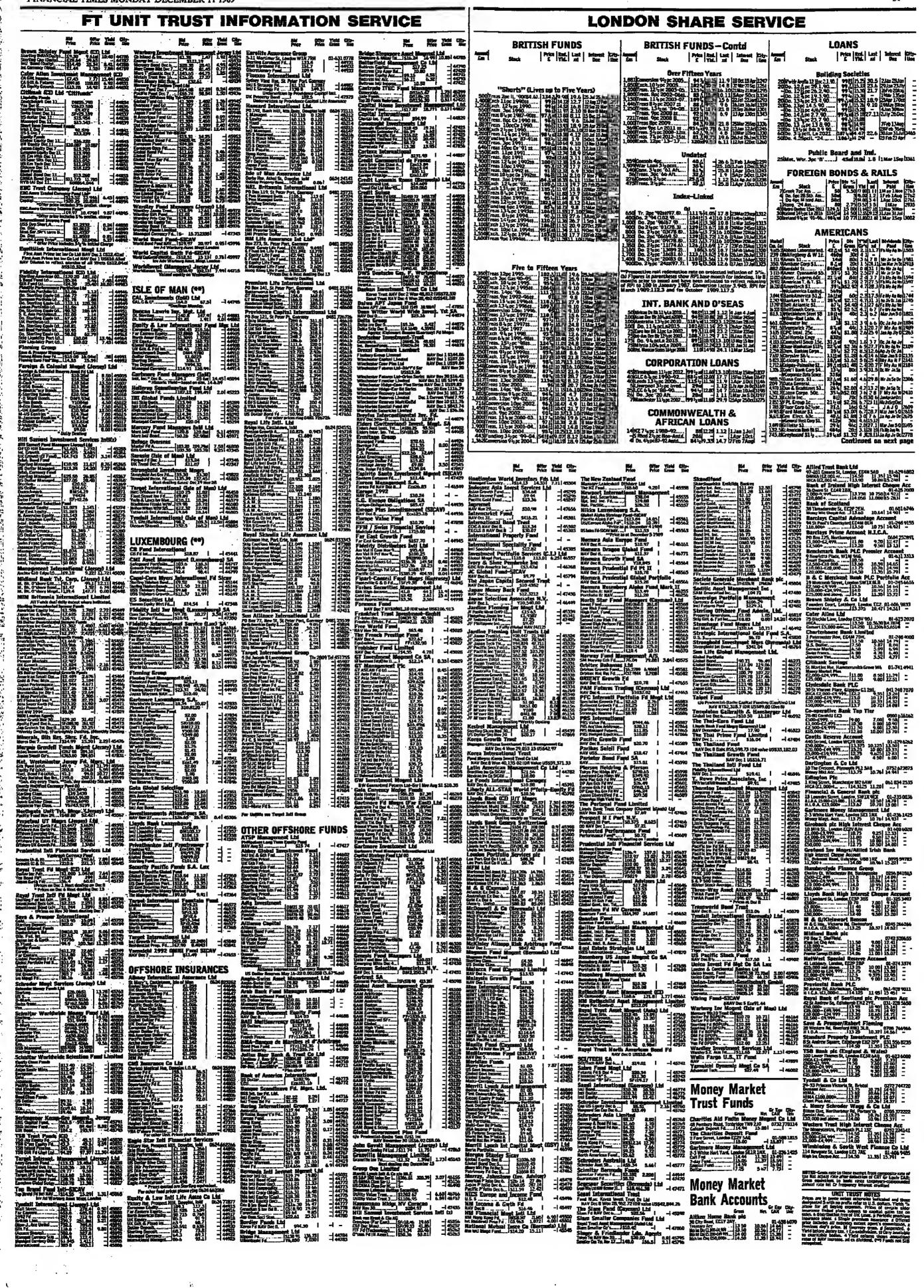
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## CURRENCIES, MONEY AND CAPITAL MARKETS

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S	1.5740 - 1.5845	1.5740 - 1.5800	0.83-0.81com	6.23	2.47-2.43pm	6.2
31204	18310 - 18395	1.8330 - 1.8340	0.47-0 37com	2.75	1.29-1.14pm	26
etter lauk.	3.15 - 3.16%	3154 - 3164	17-1500	645 530	43-44pm	6.3
elgium	58.65 - 58.95	58.80 - 58.90	28-24cpm	5.30	78-70pm	S
emark	10.834 - 10.894	10.864 - 10.874	24-25000	2.97	8%-74pm	29
eland	10570 10630	1.0600 - 1.0610	0.5G-0.25eem /	3.11	0.80-0.70	6.5 -2.6
Cormany	2.79-4 - 2.8014	2.794 - 2.80	14-14cton	7.24	45_45pm	6.5
ortogal	243.30 - 244.75	243.35 - 244.35	26-75als	-249	123-20444	-2.6
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### **MONEY MARKETS**

# **D-Mark prompts EMS** worries

THE STRENGTH of the D-Mark and the recent weakness of the US dollar, combined dollar. D-Mark and the recent weak-ness of the US dollar, combined with renewed pressure on the French franc, has led some for-eign exchange dealers to wonder whether the European Monetary System may soon be forced into its first realignment

in almost three years. Most currency analysts remain divided. Some expect pressures on weaker curren-cies within the EMS to be met

UK clearing bank base lending rate 15 per cent from October 5

with tighter monetary policies; others see a realignment in early 1990 as unavoidable.

Pressures within the EMS have built-up over the last month, most notably since the D-Mark's rise. From November 10 and the East German dismantling of sections of the Berlin Wall, the D-Mark has

STERLING INDEX

This has inevitably generated tensions within the EMS. Mr Paul Chertkow, chief international economist at Drexel Burnham Lambert, thinks this will lead within the first quarter of next year to an across-the-board 2 per cent revaluation in the D-Mark and Dntch Guilder, while the Danish Krone and Italian Lire will be devalued by 2 per cent.

But an economist at a leading West German bank said that rather than accept a lower currency, the tensions within the EMS will be met by higher call money rates in France and a rise in interest rates in Denmark. Indeed, French call money rates have

already started to rise. However, the economist said that would pnt a strain on these economies, particularly Denmark's, which is not only beset with inflation but also

Dec.B	Bask of England lades	Gorgan Goaranty Changes %
Sterling	86.7 68.8	-24.5
Catadian Dollar	105.5	45
Amstrian Schilling	109.2	+11.7
Belgian Franc	167.7	+2.4
Deutsche Mark	117.5	+24.4
Swiss Franc	106.3	+14.9
Golfder	102.0	+16.0
Linx	100.2	185
Yes	133.Q	462.8

Dec.8	Close	Previous Clase		
ESpot	1.5820-1.5830 0.83-0.82pm 2.48-2.46pm 8.85-8.75pm	1.5775-1.5785 0.84-0.83pm 2.49-2.46pm 8.87-8.77pm		

Dec.8	Bank	Special <sup>a</sup>	European t
	rate	Drawlog	Carrency
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Dec.8	£	S
Argentha	1027.35 - 1035.90	650.00-655.00
Amstralia	2.0160 - 2.0180	12753-1276
Brazil Finland	12,7565 · 12,8295 6,5840 · 6,6040	41750 - 41770
Greece	254.50 - 259.00	161.30 - 164.2
Hong Kong	12.3400 - 12.3525	7 8120-7 814
trate	112.10	71.20*
KoreaCSth)	1051.45 - 1068.40	670.80 - 676.00
Kewali	0.47010 - 0.47150 58.80 - 58.90	0.29860 - 0.299
Malaysia	4.2710 - 4.2820	37.20 • 37.30 2.7040 • 2.7060
Mexico	4231 35 - 4267.25	2650.50 - 2667.1
H. Zealand	2,6590 - 2,6650	1,6830 - 1,6860
Saudi Ar		3,7505 - 3,7515
Af (Cm)	3,0570 · 3,0635 4,0955 · 4,1065	1,9325 - 1,9345 2,5885 - 2,5915
Af (Fof	6.2020 - 6.3260	3.9215 - 4.0000
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LAE	3.7815 - 5.7870	3.6720 - 3.6730
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### **VENEZUELA** The Financial Times proposes to publish this survey on: 13TH FEBRUARY 1990

For a full editorial synopsis and advertisement details, please contact:

Nigel Bicknell on 01-873 3000 or write to him at: Number One Southwark Bridge

SEI 9HL **FINANCIAL TIMES** 

### **BUSINESS SOFTWARE**

Business software advertising appears every Saturday in the WEEKEND FT. For advertisement details please telephone Simon Enefer on 01-873 3503/01-407 5755

The Commissioners of the State Bank of Victoria (a corporation constituted under the State Bank Act 1958 of the State of Victoria, Australia) Licensed Deposit-Taker

JAPANESE YEN 20,000,000,000 GUARANTEED STEPPED-UP COUPON NOTES DUE 1991 Repayment of principal and payment of interest and other charges to be guaranteed pursuant to the State Bank Act 1958 by

The Treasurer of the State of Victoria Coupon No. 7

In accordance with the Terms and Conditions of the Notes, In accordance with the Terms and Conditions of the Notes, notice is hereby given that the Rate of Interest for the Interest Period from 10th December, 1989 to 10th June, 1990 being the seventh Interest Payment Date (all as defined in the Terms and Conditions), is 8.15625% per annum. Interest payable on 11th June, 1990 will amount to \(\frac{1}{2}\)407,813, per \(\frac{1}{2}\)10,000,000 principal amount of the Notes.

Agent Bank The Long-Term Credit Bank of Japan, Limited Tokyo

relands   1.684-0.14915   1.4965-1.4375   0.37-0.2325m   2.78   1.251.154-m   1.605-1.1855   1.1615-1.1855   0.32-0.2325m   2.78   1.251.154-m   1.605-1.1855   1.1615-1.1855   0.32-0.2325m   2.78   1.251.154-m   1.605-1.1855   1.602.1.5855   0.32-0.2325   0.33-0.2325   0.32-0.2325   0.33-0.2325   0.32-0.2325   0.33-0.2325   0.32-0.2325   0.33-0.2325   0.32-0.2325   0.33-0.2325   0.32-0.2325   0.33-0.2325   0.32-0.2325	Dec.8	Day's	Close	One month	93	Three mooths	94
man 143.80 - 144.35   144.15 - 144.25   0.27-0.25 mm   2:6   0.72-0.69 mm   12.461	relandi arucki arucki ketheriands	1.640 - 1.4915 1.605 - 1.615 1.900 - 2.000 37.00 - 37.35 4.86 - 6.879 1.7410 - 1.7770 1.14.27 - 114.55 1.201 - 1310 6.76 - 4.80 6.234 - 6.04 6.234 - 6.04 6.04 6.04 6.04 6.04 6.04 6.04 6.04	1486-14875 11615-11625 1990-28900 37 21-97 30 6574-6884 17715-1.7725 15475-15485 11430-11440 677-6774 6784-6754 6384-6354 6415-1425 12444-1245 1590-1140	0.37.4 32pm 0.37.4 32pm 0.37.4 04pm 2.54.3 70cm 1.52.1 97 mets 0.15-0 13cm 100.130m 62.72cm 4.00-5 00 mets 0.30-0 35cm 0.31-0 35cm 0.31-0 40pm 0.31-0 40pm 0.31-0 40pm 0.31-0 40pm 0.31-0 40pm 0.31-0 40pm 0.31-0 40pm 0.31-0 40pm	25500015588455885455885455885455885455885455885455885455885455885455885455885455885455885455858585858585858585	124.1 19:00 169.1 199:0 0 169:0 199:0 0 17-0 14:00 0 17-0 14:00 172-172:0 190:190:0 0 10-0 19:0 0 10-0 19:0 0 10-0 19:0 0 10-0 19:0 0 10-0 19:0 0 10-0 19:0 0 10-0 19:0 0 10-0 19:0 0 10-0 19:0 0 10-0 19:0	ender in the best of the second

Dec.8	£	S	ON	Yan	F #r.	S Fr	H FI.	Una	CS	B Fr.
£	0633	1580	2.798 1.771	227 B 144.2	9.565 6.054	2 523 1 547	3138	2063 1306	1.534 1.161	58.85 37.25
OM YEN	0.357 4.390	0.565 6.936	12 28	81.42 1000.	3.419 41.99	0 902 11.08	1.122	737.3 9056	125	21.03 258.3
F Fr. S Fr.	1.045 0.3%	1.652 0.626	2.925 1.109	238.2 90.29	10 3.791	2.638 1	3.281 1.244	部;	1.917 0.727	21.53 22.53
H FI. Lira	0.319 0.485	0.504 0.756	0.892 1.156	72.59 1104	3.048 4.636	0.804 1.223	1.521	657 4 1000.	0.584 0.889	19 75 28 53
C S B Fr.	0.545 1.699	0.862 2.685	1.526 4.754	124.2 387.1	5.215 16.25	1.376	强	1125 3506	3116	700 35 08
o oer LC	00. E-wi	Er on 1	O Line	1 000	Reinfan Fr	ner 100				

Dec 8	Short term	7 Days notice	One Month	Three Months	Sur Morates	One Year
Sterling US Golfar Can, Dolfar Can, Dolfar Can, Dolfar O, Galifder Se, Franc Deutschmat FF, Franc Latalan Lira B, Fr. (Flat B, Fr. (Con) Yes O, Krone Asian \$Sing	141-141 141-141 121-141 121-17-191 131-191 141-191	15-144 81-81 121-12 81-81 74-75 74-75 101-101 124-114 91-91 91-91 61-61 124-124 04-83	13-11-11-11-11-11-11-11-11-11-11-11-11-1	15.7 8.7 8.7 12.4 11.5 8.7 8.7 11.5 12.4 12.5 12.5 12.5 12.5 12.5 12.5 12.5 12.5	5-8-1 6-8-1 11-8-1	14 - 14 - 14 - 14 - 14 - 14 - 14 - 14 -

Long term Eurodollars: two years B.2-8.2 per cent; three years B.4-8.4 per cent; four years 8.2-8.2 per cent; fire years 8.4-8.2 per cent semical. Short term rates are call for US Dollars and Jaconese Vet; others, but there center.

1.00 a.m. Dec.83	3 months US dollars	6 ments US Dollars					
Md 82	offer 8.2	bid 8à	offer 85				

NEW YORK			Treasury	8111s and I	Bonds				
(4pert) Prime rate	105	11. Sia meab 7.70 Seren year 7.70 LD-par 7.70 LD-par 7.70 LD-par 7.77 30-par 7							
Dec.4	Cheroligist,	One Month	Ywe Months	Three Mostis	Noctes .	Lamberd Intermedia			
Cantifut Park Park Park Cotyo Milan Doublin	7.50.7.60 101-101 71-73 8.5-8-68 6-1-65 12-12-1	7.85-8 00 101-102 73-81 848-850 64-63 124-134 94-93 114-114	7.95-8.10 104-103	7.95-8 10 103-103 7.3-8-5 8-8-5 63-6-5 124-13-4 911-93 124-124	8 00-8 20 10-3-10-8 12-3-12-1	9.50			

Dec 8	Overnight	7 days notice	Month	Nonte	Months	. Year
terhank Offer Lerhank Bid Lerhank Bid Lerina CDs. Leal Anthority Dess, Leal Anthority Bonds, Lean Anthority Bonds, Lean Bid Lean	151,14	15% 15% 14%	11111 - 4111 - 4118 - 4118 11111 - 4111 - 4118 - 4111	11111 - 4114111 60 819 11111 - 411411 60 819	14 15 1 15 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	14 14 14 14 14 14 14 14 14 14 14 14 14 1

TOO CHILLE Dept car in	1	1	(	
Treasury Bills (sell.); one-month 1433 per cent; the discount 14.979 p.c. ECG 1,999 Agreed rates for period Schemes II & III: 15.43 p.c. Scheme IVAV: 15.148 p.c. to days' Rued. Flasmen Houses Barns at seven days notice 4 per over held under one month 111 cent; six-nine months 13 per from Oct 9,1989 , Deposits a	Fixed Rate Steriling Export Occumber, 20: 1989 to Janu Reference rate for period R cal Authority and Finance H age Rate 15½ from Decemb cent. Certificates of Tax Dep 2 per cent; one-three enough to the provider months 13 pe 82; since-burchy months 13 pe	reasury Bills. Finance. Ma ary, 23, 199 ev. 1, 1989 to oanes seven de er 1, 1989: oskt Cheries to 13 per cent; r cent; Under	: Arrage to the up day i to, Schema i to November lays' notice, Bank Depo J; Deposit S Lhree-sham	noder rate of November 3 2: 15.87 p.c. 7,30 , 1989 others serve oth Rates for 100,000 an epities 13 pe

	Dec	8 Dec.1		Dec.B	Dec.1
illis on offer otal of applications otal ellocated finionem accepted bid llocusent at minimum level	C300 E140 C300 C963	m 5732m m 5300m 80 674.360	Top accepted rate of discount. Autrage rate of discount. Journage yield Automat on offer at acrat tender fall inhuma accepted bld 182 day	13.0413 13.0413	1 600ar
WEEKLY C	HANG	E IN W	ORLD INTERE	ST RA	TE\$
ORDON	Ger. 8	change	NEW YORK	Dec.8	cprofits
Born rates day laterhank	15 15 16 16 16 16 16 16 16 16 16 16 16 16 16	Unctrd +0.0763 Unctrd Unctrd Unctrd Unctrd	Printe ester Federal Fuels 3 Mth. Trestory 881s 6 Mth. Trestory 881s 7 Mth. CO FRANKFURT Londord One ordi. interbush Three month PARS Intervention Rate One and Interbush Three month	105 8.5 7.64 7.77 8.43 8.40 7.925 8.025 9%	0.04 -0.04 -0.095 Uadr'd +0.122 -0.050 Uadr'd Undr'd Undr'd
RUSSELS Gue month Three month ASSTERDAM	95 95	Undi'd	MILAN Our mosth Three mosth	13	Dack'd
One month	8.47	+0.040 +0.025	One month	121	#2

Three Mod	M	_} ;	1	-Ja	Three was		1 13		Decir d
AMSTERDA One monta Three mon		- 8	49	+0.040 +0.025	Ougust One most Three mo		137		#
CHICAG						-			
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Des Marr Jon Sep Des Mar	99-13 99-11 99-01 98-24 98-24	99-19 99-19 99-13 99-02 98-25 98-14	98-20 98-20 98-20 98-20 98-21	99-03 99-03 98-30 98-21 98-12	Dec Mar Jus	Close 0.6932 0.6954 0.6990	0.6456 0.6456 0.6492 0.7010	0.6929 0.6960 0.6990	9494.0 1494.0 1494.0
Sep Sep	98-14 98-05 97-29	98-14	98-11	99-03 97-27 97-19	SELTISCH ONLYS.8	MARK CHI	0		
Dec Mar Jun	97-21	:	:	97-11 97-03	Dec Mar Jun	0.5648 0.5651 0.5649	0.5675 0.5680 0.5685	0.5633 0.5637 0.5635	0.5646 0.5656 0.5646
U.S. TREAS	WHY BELLS	(1141)							
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59135 F2A Str 125,886					STANDAR SSOC time	0 & <b>7060</b> 5 5 15 index	00 INDEX		
Dec Mar Joe Sep	Close 0.625/9 0.6277 0.6279 0.6282	0.6318 0.6318 0.6313 0.6313	0.6242 0.6250 0.6250 0.6253 0.6290	0.6290 0.6297 0.6298 0.6301	Der Mar Jan	Gore 349.25 353.35 357.50	950.60 354.95 356.85	348.00 352.35 356.30	Pre: 348.75 353.30 358.00
PIOLADELPI C31,250 (ce	HIA SE E/S	OPTIONS.				-			
Strike Price 1.500 1.525	Dec 7.65 5.20	Jan 7.85 5.35	7.	<b>45</b>	Nar 1	Dec Ja - 0.0	Parts 7 (7	Feb 171 133	1.46 2.23

EU	ROPE	AN	ОРТ	TON	SE	KCH	ANC	3E
		Fe	90		y 90	An		
Series		Vol	Last	Vof	Last	Vof	1.252	Stock
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Stiver P	6550	Dec	89	120	1 12	- 1	90	5 564
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			. 89		. 90		. 90	
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	_		U	OND	ON RECENT	155	UE	S		_	-
QI	JITI	E\$									
ice	Aur'st Paul		Stock	Closing	<b>407</b>	Net. Div	Times	Gross Yield	P/E		
_	=	Date	High	Low						1	
100 100 100 100 100 100 100 100 100 100		2/11	in Bacanu Pare in Sansani Rupane Beer	ESEXUSOLES CONSUMENTS OF THE PROPERTY OF	All Landow Sy  "Autos of Devication So  ETR Warrants 1993/94  *Barts Hilds 100  *Cambridge Gr. Life  Charger Lesine Sy  ETR Warrants  ETR Wirth 100  *Cambridge Gr. Life  Charger Lesine Sy  ETM Brageo TX  Erropa Mintes St  Erropa Mintes Sy  Erropa Mintes Sy  Erropa Mintes Sy  Erropa Mintes Sy  Erropa Mintes Wirth  Erropaen Project (T 10)  De Warrants  Times Some Hilds  JF Petitippine Fd 51  Do. Warrants  Bell Leberate Group Le  "Nei Scares  William Inc. Le  Pacific Kinstein Inc. Le  Pacific Kinstein Inc. Le  Pacific Kinstein Inc. 12  Pacific Kinstein Inc. 12  Pacific Kinstein Inc. 12  Pacific Frop Wirnes  Pacific Prop Sinsy  Pacific P	KESNER SERVES OF	+12 +1 -1 -1 -1 -1 -1 -1 -1 -1 -1 -1 -1 -1 -1	R2 25 1.8 1.8 1007 % W3.0 11.86 11.86 11.87 W3.0 11.97 W3.0 11.97 W3.0 11.97 W3.0 11.97 W3.0 11.97 W3.0 11.97 W3.0 11.97 W3.0	25 - 27 37 48 - 12 - 1 - 1 - 1 - 1 - 1 - 1 - 25 - 21 - 1 - 1 - 25 - 21 - 1 - 1 - 1 - 25 - 21 - 1 - 1 - 1 - 1 - 1 - 1 - 1 - 1 -	7.4	9.2 9.3 16.7 9.8 8.8 10.6 9 10.9 9.2 3.1 10.9 2.3 1
-	53.	=		273	Stora B Free Sk25	£283₁ I	-&	040%	3.0	34	78 613
25	F.P.	=	40	2	#Storm Group Ip	538		M6.0	-	7.8	61.Z

Price	Amount Paid	Latest Researc	19	89	Stork	Closing	٠.
£	op Date High Low	1	£	١.			
98.94 89.65 100p 100p 100p	F.P. E.P. E.P. P.P.	22/12	29.1 1001 1005 1006 1006	97 29% 979 971 <sub>2</sub> 930 960	Stritch Inv. Tat. 111 <sub>8</sub> pc Sec. Db 2012	97.2 29.2 90. 90. 10.0	-3

box	Amoust	Latest				Clesing	
Price	Pald	Remark	1989		Stack	Price	+0
P	UP	Date	High	Low		P	
111	Hill	19/1 19/1 51	Upm	Boro	Milled fes. Brokerslöp	2pm	-
Sangaren Sangaren	XH	19/1	Jon Lipro Jose Lipro	lom	#AmBrit lots. Sp	14,000 500 3500 7600 16	۱ ۔
40	発展で	21	Tiom	5om	CRT Group 10p	300	
D-717	the second	12/1	1200	21,000	European Colore	700	. 4
15	F.P.	12/1 29/12	175	50m	40000 10s	16	
95	HII	5/1	87(m)	2500	Lischam (Seorge) 100	25041	1
1275	MH	-	40 pag	3000	Jacob (W & R)	30pm	
20		I	40pm	3000	Nert Group Sp.		- Indian
	ses grynoes	C.B. F. IGUTE	5 \$2915 <b>9</b> 8	prospectits	estimates di Dividensi rate paid or payable lend and yield 5 Dividend and yield entitle: assel on previous year's cardings. It Dividend eend and yield based on prospectus or other and and yield based on prospectus or other	mechal nove	area,
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1990-9	L Estima	THE LITTLE	ised divide	nd, cores a	nd pre based on latest amount earnings. Mr	Heldesd 31	d yield
क्ष क ज़	SPECIAL OF	other offic	मि हर्राण	e for 199	erm and yes used of projection or wind per based on latest, amount earnings, fit in 0. It Dividend and yield based on prospects of the original period of the period of the original period of the original of the original of the original of the original ori	S OF OURCE	maai
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### FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS		FRED	AY DECE	20ER # 190	8		THURSDA	Y DECEMBE	TR 7 1980	DO	HEAT MO	!X
Figures in parentheses show number of stocks per grouping	US Dollar Index	% change since Doc 30 '65	Pound Storting Index	Local Currency Index	% change local cur- rency since Oec.30 '68	Gross Div. Yield	US Dotler Index	Found Sterling Index	Local Currency Index	1960 High	1960 Low	Year ego (approx
Australia (85)	147.26	+ 1.9	138.23	124.98	+ 11.0	5.44	148.11	139,42	125.79	160.41	128.28	145.50
Austria (19)	159.56	+65.3	149.77	148.69	+ 65.5	1.66	159,21	149.87	146.69	172.22	92.84	98.10
Belgium (63)	148.69	+ 10.1	139.57	136.77	+9.9	4.06	149.84	141.05	137.64	150.00	125.58	134 80
Canada (1221	151.11	+ 20.4	141.84	127.15	+ 17.2	3.21	150.71	141.87	128.87	154, 17	124.67	121.42
Denmark (36)	233,26	+ 36.9	218.97	216.29	+37.3	1.45	234.64	220.87	219.64	237.06	165 35	157.94
Finland (26)	129,44	-1.1	121.50	113.45	- 0.8	2.49	129.92	122.30	113.92	169 18	118.63	137.75
France (126)	147.71	+ 28.4	138.65	140.30	+28.4	2.65	146.82	135.20	139.50	147.71	112 57	1 12.34
Wes: Germany (96)	110.18	+ 25.3	103.42	101.51	+ 25.1	2.08	111,41	104.57	102.66	111.41	79.56	88.26
Hong Keng (48)	115.80	+3.6	108.79	116.16	+3.6	4.90	116.41	. 109.58	116.78	140.33	86 41	710.33
Ireland (17)	169.68	+28.8	159.28	160.78	+30.3	2.70	171.15	161.11	182.02	171.45	125.00	131.50
Italy 197)	92.87	+9.1	87.17	90.58	+9.1	2.52	92.73		90.58	98.73	74.97	65,04
	197.07	+2.9	184.98	179.83	+ 16.7	0.45	197.82	87.29		206.11	184.22	190.81
Japan (455)	212.87	+48.3	199.81	221.77	+48.1	2.39	212.83	786.03	180.28 221.80	212.87	143.35	142.35
	297.37	+83.7	279.13	884.46	+ 113.8	0.60	297.24			326.61	153.32	174 50
Mexico (13)	137.19	+ 22.0	128.77	125.20	+21.9	4.25	136.86	279.80	864.48	137.19	110.63	110.44
Netherlanc (43)	73.50						73.71	128.63	124.87		62.64	. 65.84
New Zesland (18)		+8.7	68.99	65.74	+ 15.4	5.43		89.38	65.83	88.18	139.92	131.55
Norway (24)	187.35	+34.9	175.87	172.23	+ 39.1	1.59	184.76	173,92	170.00	198_39	124 57	121.73
Singapore (26)	170 87	+ 36.6	160.39	152.25	+ 35.9	1.97	170.35	160.36	151.98	170.87		122 90
South Africa (60)	181.02	+ 54.9	169.91	156.71	+ 59.5	3.65	180.28	188.70	166.07	181.02	115.35	150.00
Spain (43)	159.59	+7.5	149.80	138.25	+8.5	3.80	159,59	180.23	138.28	169.75	143,14	
Sweden (35)	174.88	+20.9	164.13	164.37	+ 25.4	2.08	171.75	161.67	161.51	188.94	138.46	144.32 78.99
Switzerland (62)	91.43	+17.1	85.82	90.55	+ 24.5	1.98	92.15	86.74	90.95	94.16	67 81	
United Kingdom (304)	151.83	+ 12.2	142.52	142.51	+ 26.5	4.34	150.45	741.62	141.62	168.41	133.28	134.72
USA (544)	141.33	+ 24.8	132,68	141.33	+24.9	3.30	140,98	132.71	140.98	145.29	112.13	112.70
Europe (991)	134.37	+ 17.1	126.13	125,27	+24.6	3.36	134.03	126.17	125.00	134.37	112.63	114,14
Nordic (121)	175.60	+ 25.7	164.82	157.64	+ 28.1	1.80	174,43	164,19	155.86	175.38	137.95	137.61
Pacific Basin (668)	192.05	+3.1	180.26	175.00	+ 18.2	0.89	192.60	181.50	175.62	104.72	180.44	185.00
Euro - Pacific (1659)	169.08	+7.3	158.71	155.11	+ 20.0	1.55	169.27	159.34	155.42	169.43	141.56	157.03
North America (666)	141.81	+24.8	133.11	140.43	+24.4	3.29	141.46	133.16	140,09	746.66	112.79	113.24
Europe Ex. UK (587)	122.59	+ 20.7	115.07	114.75	+ 21.6	2.69	122,83	115,82	114.07	122.88	96.90	101.04
Pacific Ex. Japan (213)	131.E8	+ 5.9	123.79	117.81	+ 10.5	4.90	132.48	124.70	118.51	140.05	111.93	124, 18
World Ex. US (1854)	168.65	+8.0	158.30	154,41	+20.3	1.63	168.82	158.91	154.88	165.91	141.49	155.45
World Ex. UK (2094)	158.44	+ 13.1	148.72	150,72	+21.9	1.94	158.56	149.25	150.88	158.72	136.98	139.51
World Ex. So. Af. (2338)	157.68	+ 12.8	148.01	149.88	+21.5	2.14	157.67	148.42	140.96	157.90	136.67	130.17
World Ex. Japan (1943)	139.16	+21.3	130.63	134.58	+24.2	3.38	138.86	130.71	134.35	140.43	114.51	214.10
The World Index (2398)	157.82	+ 13.0	148.14	149.92	+21.7	2.15	157.81	148.55	149.98	158.00	136.68	130.7

139.65 (US S Index), 114.45 (Pound Sterling) and 123.22 (Local).

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Markets closed December 8: Austria, Italy and Spain.

CONSTITUENT CHANGES: Deletions: Noxell Corp.(US)(4/12/89) and Inspectorate (Switzerland)(8/12/89).

BASE LENDING RATES Northern Bank Lid Northick Cen. Trast Hydrodik Mertage Bank PRVATurnium Limited Provincial Bank PLC Courts & Co. Ducie Laurie ... Equatorial Bank pit...... Exeter Trust Ltd. Ficancial & Gen. Bank ... First Hatlored Bank Pic. Authority Bank

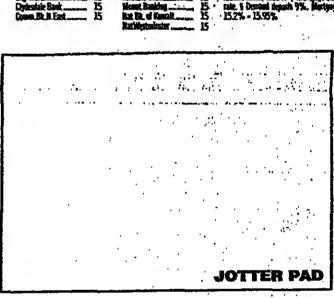
B & C Merchant Bank

Bank of Baruda

Banen Bilban Viccaya United Six of Kyneait..... United Milarahi Bank.... Unity Trest Bank Pic... Western Trest. Western Trest. Western Bank Corp..... Brit Ble of Mid East .... © Brown Shipley

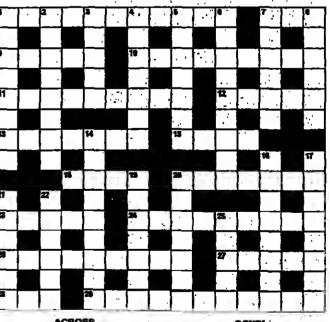
(1. Bank Hederland

Chartestonse Bank to memors of pricis merchan Banking & Securities House Astociation. Deposit now 5.9% Sanchire 8.5%. Top Ter-210,000 + testant access 12.8% & Mortugue bart rate. 6 Demont deposit 9%, Mortuge 15.2% - 15.95%. Lioyds Bank 15
Richannell Douglats Bak 15
Regional Bank 141 15
Richard Bank 15
North Banking 15
Rat Ri. of Kurafit 15 



### **CROSSWORD**

No.7,112 Set by QUARK.



7 Weaken and cut a long story short (3)

short (3)
6 Put off sick person attempting a comeback (5)
19 Kind of express at English and put in certain way (9)
11 Bill passed in law (9)
12 Vic in French and Chuck

out! (5)
13 Pleasing feature any time perhaps (7)
15 Hit could come before board

(4) 18 Show concern, perhaps, over matter (4)

Wobble like a top before kind of pit (7)

District of New York left out

ladies quarters (5)
24 7 across? It adjoins gallery shaped like arrowhead (9)
26, 27 Might see English loser dancing, but not in these!

(9,5)

No, grated (8,6)

2 Watch - it could shoot (8)

3 Piece of land is rented (5)

4 What shape's the earth in?

It'll tell you (7) Foolish graduate missed out in answer 14 (7) 6 Bitterness in sharp bit of fruit (9)
7 Said at sporting Twicken-ham and Wembley (6)
5 Examination celebrated by

school's head (6)

school's heed (5)

14 CED omit one, a change of dialect (9)

15 Appoint a leader and make progress (8,5)

17 Animals, variety without tail. He'll value them (8)

19 Fade out when bribes turn up inside to distribute (7)

80 Botched job in the farm? (4,3)

(4,8) 21 See 1 down 22 75% of coastal town is smart

28 Consume top slice off beef, for example (3)
29 Supporter giving a lift to others? (11) 25 Could be abrupt in a hitter The solution to last Saturday's prize puzzle will be published with names of winners on Saturday December 23.

الليكذا من النصا

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RATES

Walter Ball Ball

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## WORLD STOCK MARKETS

December 8 Price

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# The coming bonanza in eastern Europe

If I were a currency speculator, I have little doubt where I would put my money right now: on the East German Mark.

Millions, possibly billions, of this currency have noured.

this currency have poured through the breach in the Ber-lin Wall in the last few weeks, in Wall in the last rew weeks, driving what little value it had down to nearly nothing. Compared to its original official rate of parity with the Deutschemark, it fetches only five pfennigs on the black market. And since it's non-convertible, It back to the East German central bank. So oceans of the stuff are swilling around the border, just waiting for huy-

ers.

And it's a bargain — not because of what it will buy, which is exceedingly little, but because of the measures that both Germanys will have to take to get the East German economy back in order.

Already tha anthorities are preparing to introduce the Deutschmark into East Germany: they have little choice

many; they have little choice

it is finding its way there
willy nilly. And what will foilow is quite ohvious. In a reverse of Gresham's law, the D-Mark will drive out the Ostmark and become the estab-lished currency. But West Ger-many will be obliged by political and moral pressures to buy in Ostmarks and swap them for D-Mark at a considerably more attractive rate than they fetch at the moment.

### Imagination

This process of currency reform will occur quite rap-idly, probably by the end of next year, because if it is not done in an official and orderly way, the market will do the joh on its own, causing even more damage. Holders of Ost-marks could therefore come out of it all quite well.

If that sounds tanciful, it merely shows that people have not yet applied sufficient commercial imagination to the incredible events that are going on in eastern Europe. Things are moving so fast over there, and the opportunities for bold entrepreneurship are so enormous that thousands of people must be facing the chance to make a fortune.

It is extremely rare that situations with so much poten-tial "upside" present themselves these days, particularly technological speed and efficient arbitrage wipe out profit-able disparities almost instan-

taneously.

For those with a dealing mentality, eastern Europe has just about everything they could wish for: highly inefficient markets, gross distortions, poor or non-existent information, and political unpredictability. Yet at the same time, it is close to hand, the population is driven by similar hopes and fears to those in the West, and there is very little chance that the events of this autumn will be rolled back, all of which limits the downside.

Entrepreneurialism will not itself, of course, soive the problems of the East, Indeed. where it verges on profiteering it will do more harm than good, and it would not be surprising if measures were intro-duced to curb some of the less attractive features of capital-

### Dynamism

But this is where the dynanism is to be found. Whether it be the currency speculators. the Poles selling junk on the banks of the Danube, East Ber-liners flogging their services in West Berlin, or the western entrepreneurs who are already making their way east to trade wares or set up eastern European Recovery Funds: these are the currents of trade through which real contacts are being made, and real prices set. The pressures they represent could be as formida-ble a force for change as the

political turmoil at the top. The main thrust of the West's response to the East's peaceful revolution will have to take the form of enlightened self-interest: officiallybacked projects which are intended as much to underpin democratic change as reap a commercial profit. And that will set in motion the great wheels of international trade. But how exciting it must be for anyone with a nose for a deal to stand on the threshold of the biggest new markets to appear since the end of the

Second World War. David Lascelles

rank Field is some thing of an oddity in

British politics: an independent thinker and committed Christian who genuinely seems more interested in policy issues than in personal advancement. During

personal advancement. During a decade at Westminster, he has rarely allowed himself to be constrained by the official Labour Party line, preferring to speak his mind.

On Friday, his local constituency party decided it did not want him to be the Labour candidate at the next general election. However, having won a clear majority in the one-member, one-vote section of the ballot, he is unhappy about being ejected as a result of a "corrupt trade union vote." trade union vote."

Mr Field claims a campaign

against him has been orches-trated by Militant and other hard-left factions. He meets Mr Neil Kinnock, the Labour Party leader, today to discuss his future.
Mr Field's brand of indepen-

dent thinking is not univer-sally admired in the House of Commons. But he "deeply resents" the charge that he is a maverick and out of touch with mainstream thinking in the party.

During the early 1980s, he says, "the Labour Party experi-enced difficulties which, had they occurred in an individual, would have been called a hreakdown." Against the spirit of the times, he and some close colleagues in Birkenhead preaches to the importance of the collection of market forces and began the campaign for one person one vote elections within the party.

vote elections within the party.

"All of these stances were deeply unpopular," he says, "but now they are current orthodoxy." Those who have since changed their opinions, he suggests, have some axplaining to do. "I don't because I have not deviated." If I was a maverick then, he inkes we must be 101 nor cent jokes, we must be 101 per cent mavericks in the Labour party

today. But if he was fully in step with the Labour leadership, would he not now occupy an important shadow Cabinet

important shadow Cabinet position?

Mr Field brushes this objection aside, emphasising what a good relationship he has with the Labour leader, "I probably see Neil Kinnock more often than any other backbencher, probably more often than his probably more often than his front benchers. I was Mr Kinnock's choice as chairman of the Social Services Commit-

Mr Field has been a success as chairman of the Social Seras chairman of the Social Services Committee, producing a series of well-researched and hard-hitting assessments of the Government's health service reforms. But it still seems odd that a shadow Cabinet place cannot be found for an MP who has published six books on has published six books on social policy in the 1980s and who generates more reform

Parliamentary colleagues.

Looking at Mr Field, neatly dressed in a striped shirt and tie, and thinking of his policy proposals, such as a 12 per cent THE MONDAY INTERVIEW

# A distinctive voice on the back benches

Frank Field, the threatened Labour MP for Birkenhead, talks to Michael Prowse

standard rate of tax, I won-dered inwardly why he had not become a left wing member of

become a left wing member of the Conservative party. His parents, he confided, were "typical working class Tories. That's why I under-stand that part of the vote quite well." His decision to join the Labour Party at the age of 16 was partly a response to the arguments of friends and good debates at his grammar school. Mr. Field was the first in his Mr Field was the first in his family to go to university, reading economics and politics at Hull. On graduating, he considered a career in the trade union movement but "there weren't that many jobs going". He ended up lecturing for five years at colleges of furthar education.

From there, Mr Field plunged into the fractious

### PERSONAL FILE

1942 Born London; BSc (Econ) Hull University . 1966 Labour candidate, Buckingham South
1968-79 Director, Child Poverty Action Group
1974-80 Director, Low Pay

1979 Labour MP, Birkenhead 1987 Chairman, Housa of Commons Social Sarvices Committee

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Child Poverty Action Group in
1969. From 1974, he was also
director of the Low Pay Unit.
He campaigned vigorously
for the introduction of child

benefit, a non means-tested payment to all mothers which was eventually introduced by the Labour Government in 1977. But to put this triumph in perspective he gloomly points out that after 10 years of lohbying there were more people on low incomes than when he

The irony, of course, is that poor families might be better off today if child tax allow-ances had never been replaced by child benefit. The Thatcher Government has cut child benefft because it counts as public spending hut it might have enthusiastically raised child tax allowances as part of the

drive to improve incentives.
"It was right at the time," says Mr Field, "hut it is questionable now, which is wby I advocate the reintroduction of child tax allowances." He sees child tax allowances as a way to embarrass the Government

and gain resources for poor At the Low Pay Unit, Mr Field wrote briefs on behalf of poorly-paid, non-unionised workers. "We pitched in with workers. We pitched in with figures showing how appalling their wages were in the hope they would get inflation-proofed increases." In the labour movement, he says, the idea of a minimum wage equivalent that the hidder of the same of alent to two thirds of average earnings is now regarded as having come down from Mount Sinai. "It occurred to us in

afternoor Mr Field still supports the concept of a minimum wage but thinks it should be lower, at about half average earnings, to minimise the impact on employment. He stresses it would have to he linked to other policies, such as invest-ment in training, designed to raise productivity, output and

Poland Street one antumn

real wages. But why not let the market decide wages and protect workers with a guaranteed minimum income

Mr Field is unimpressed with this solution, it would be diffi-cult to withdraw benefits from those whose incomes exceed the guaranteed minimum. There would be all kinds of disincentive effects. In any case, it would be culturally wrong: "we just don't have that approach in this country." The philosophy underlying many of Mr Field's policy proposals (although not those on wages) seems quite close to that of the Government. I won-

that of the Government. I won-dered if he supported the thrust of recent tax policy, which has been to cut tax rates in order to boost incentives. "I don't support it." He points out that the tax cuts have been financed by cuts in social welfare for the poor when they should have been financed by cuts in "tax welfare" enjoyed by many middle and working class families.

You have to be insane, he says,

to save in any way other than by buying a house or pension because the subsidies are so

enormous.
"I want to see the phasing out of all those tax handouts."
This would allow the standard rate of tax to be cut to "per-

haps 12p in the pound."

But he is sceptical of claims that cuts in tax rates necessarily improve incentives. He points ont that the commentators who got excited about the rising share of tax paid by high rising share of tax pain by high earners during the 1980s failed to add that the share of income received by these groups rose proportionately far more rap-

The plain fact is that none of us know what the incentive effects are. It is an area one should approach cantiously not

dogmatically. " What about the health service. Does he accept the changes are on balance benefi-

"You know as well as I do that if the Government had its time again, it wouldn't touch this. Mrs Thatcher's initial instinct, as so often, was right." He rejects the argument that the Government is seek-ing to raise the efficiency of the NHS while maintaining its traditional virtues.

Large parts of the service, he says, are no longer free at the point of delivery. In his constituency elderly people who would have gone into geriatric wards are now pushed into nursing homes where "42 per cent of residents do not get their fees paid in full." Having studied the NHS for some years, he is "amazed at how well it runs.

What he is campaigning for is a change in the way the NHS



### 'I want the phasing out of all those tax handouts'

is financed. He thinks there should be a special earmarked health tax. If people realised how much of their own money they spent on the NHS, he says, they would be more demanding as consumers.

Mr Field is also deeply con-

cerned by the decline of traditional family valuas. He recently visited a Liverpool crèche of 70 where only four of the children had mothers and fathers living together. "Wa have got to change the cli-mate," he says. "At the moment we have divorce laws that can break a marriage up that can break a marriage up after less time than the average hire purchase agreement."

Perhaps Mr Field's strongest criticism of the Government is that it has created an under-class by pursuing policies which "expel people from citi-zenship." One of tha main "expelling agents" has been the decline in the living standards of the powerst during and dards of the poorest during an era of great prosperity for the better off.

At the end of the 1950s, he says, Harold Macmillan recognised that it was not good enough to raise benefits in line with prices, they also had to be linked to rising prosperity and earning. That linkage, he says, must now be restored. Who does he most admire in

British political life, I asked finally. The two names that sprang immediately to his sprang immediately to his mind were Neil Kinnock and Margaret Thatcher. Mr Kinnock for the way he knocked the Labour party into shape. Mrs Thatcher for her courage in going straight for the Tory party leadership in 1975. Har contendars today, he suggested lacked her guts.

"One of the achievements of Mrs Thatcher," he adds, "is that she has made Labour electable. Once out of power, we could never have done the trade union reforms, but with-

trade union reforms, but without them we would not be

**VIEWPOINT** 

The Commerzbank report on German business and finance

# The West German economy in 1990: high growth - increased tensions

As in most of the other industrial countries, the present upswing in West Germany began in 1983 hut growth has only become selfsustaining in the course of this year.

Calling it "self-sustaining" implies three things: it needs no external stimuli, neither from economic policy nor from exports, as private-sector demand is strong, in particular for capital goods. Second, such an upswing is largely able to withstand disruptions produced by economic policy, the financial markets or external developments. Third, the economy tends to overheat and thus the upswing contains the seeds of the downturn.

On the face of it, West Germany's current export boom might seem to cast doubt on the self-sustaining nature of the upswing. Yet this is not really the case.

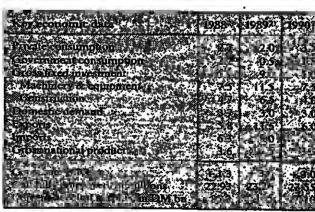
The extraordinarily strong foreign demand reflects the solid expansion of world trade, the high level of capital spending worldwide, which keeps German order books full, and the relative weakness of the D-mark, which has depreciated by a real 7% since the end of 1987.

Changing pattern

Next year, these factors should have less of an impact on exports. World trade will lose momentum and business investment in particular will be less buoyant internationally. In addition, the D-mark should firm against the dollar and the EMS currencies.

West German economic policy will not steer a uniform course in 1990. Whereas monetary policy has gradu-. ally become tighter since mid-1988, and must be regarded as moderately restrictive since the latest rise in key interest rates in early October, fiscal policy will be

goods may well squeezo capital spending. All in all, though, nothing suggests that the healthy business investment climate, including outlays on new construction, will suddenly deteriorate. Company profits will climb again from their already very high level by expansionary. Private housearound 10% and the pros-



1) at 1980 prices; 2) change on year in %; rounded to the next half or full perce point; 1989 and 1990 Commerciank estimates.

the 1990 tax cuts of about DM25 billion in net terms, and this should spur private consumption next year. Residential construction will be given a boost by the Federal Government's promotion

Yet the positive effect of fiscal stimuli, which above all change the composition of aggregate demand, will hardly be sufficient to offset the negative effects of monetary policy, which mainly determines the overall level of demand. Accordingly, stronger demand for consumer

holds will benefit most from pects for further sales and earnings growth should remain quite good.

The risks faced by the West German economy in 1990 are chiefly external. If the U.S. and Britain are in for a more marked slowdown than expected, the resulting drop in demand for German

could lead to problems. And it is by no means certain that international investors will show the same willingness to finance the U.S. currentaccount deficit as they have this year. For one thing, the deficit will not be reduced by much: for another, the interest edge of U.S. paper has shrunk considerably, and is not always sufficient to offset the greater risks involved. One possible threat in West Germany will be the tough wage negotiations in key industries. Yet average pay increases should not be

exports would not be a major

blow. But any turhulence

in the financial markets and shifts in economic policy

much higher than in recent years. Disturbances could also arise from a conceivable further tightening of the monetary reins to prevent the economy from overheating. And temporary uncertainty may occur in the run-up to the national elections in late 1990. The large inflow of East Germans and other ethnic Germans will help to ease bottlenecks in the job markel. On the whole, their integration should be fairly, smooth thanks to the score. omy's strong performance

Despite the risks and greater cyclical strains, we consider it most probable that 1990 will prove to be: another year of high growth in West Germany with solidincreases in employment and, considering the stage of the cycle now reached, moderate inflation.

# COMMERZBANK 302

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# When judges recoil from 'political' issues

f the Prime Minister has heen out of step with Britain's European partners at the Strasbourg summit she has not been alone in distancing the UK from European standards of government.
Twice last week the Court of

Appeal declared that the fun-damental freedoms contained in the European Convention on Human Rights were irrelevant to legal challenges first, to the Home Secretary's ban on hroadcasters conveying the live utterances of IRA terror-ists; and second, to a prohibi-tion by the General Medical Council of newspaper advertis-ing by a doctor practising helicity medicine holistic medicine.

in both cases counsel for the challengers of administrative action sought to rely ou the freedom of expression guaran-teed by Article X of the convention as a starting point of his argument. It is not immediately apparent to the public why he was so firmly rebuffed by the Court.

The convention is contained in an international treaty of 1950. The convention binds the signatories to it to "secure to everyone within their jurisdiction the rights and freedoms in the convention. The conven-tion set up a commission and a court to which individuals have been able to resort, since 1966, alleging violations by the

International treaties do not automatically become part of English law. They become part of domestic law only as and when Parliament enacts the treaty, as it did with the Rome Treaty in the European Com-

munities Act 1972 In recent years English judges have been inching their way towards acknowledgement of tha fundamental freedoms declared in the convention parallel with the traditional approach of English law. Lord Donaldson said as much last week when he proclaimed: "You have to look long and hard before you can detect any difference between the English



# JUSTINIAN

common law and the principles set out in the convention, at least if the convention is viewed through English judi-

The sting is in the tail.

Rogish judicial eyes are myopic when it comes to constitutionally guaranteed rights. English judges cling lovingly to the supposed flexibility of our unwritten constitution. Lord Donaldson's orthodox approach is that any back-door incorporation of the convention into English law by the courts would be constitutionally improper as long as Parliamant keeps the front door firmly shut.

The metaphor is inapt. The front door is ever open; it is just that Parliament has not considered it necessary to give effect to Britain's international obligation under the convention because, as Lord Donald-son admits, its provisions are assumed to be entirely conformable with the citizen's liberties under English common

Lord Donaldson has however overlooked the fact that there has already been a limited march of the judiciary through a side door. The opinions of that other European legal insti-tution, the European Court of Justice at Luxembourg, are binding in UK courts. The court some years ago declared that in deciding disputes under the EC Treaty it would take on board all the relevant jurisprudence of the Human Rights Court at Strasbourg. To that

extent the convention has come in through the double doors of the European Commu-nities Act 1972 and the rulings of the Luxembourg court. Why is the English judiciary

so obdurate in resisting the jurisprudence of the European Court of Human Rights? If the English common law enunciates the rights of every individual to freedom of speech, the extent and nature of that right as declared by a court whose jurisdiction we fully accept internationally should surely be of at least persuasive, if not binding, authority.
It cannot be that the courts

in this country are not permit-ted to interfere with the proper processes of executive govern-ment, even though they may properly be reloctant to do so. Some cases before the courts central or local government but are merely concerned with public administration. The case challenging the General Medical Council was against that independent body set up hy Parliament and entrusted with control over the medical profession. The case of the journalist protecting his source of confidential information affects the protection of private commercial interests.

It may he that judges for good reasons wish to avoid any suggestion that they are putting their fingers into the polit-ical pie. But judges also genn-inely feel that many issues of social policy are not justiciable - that their training and experience do not qualify them to pronounce on a wide variety of social and public interests, matters that are better left to bodies more widely representative in their composition. It is a respectable argument that needs addressing before the country loses one vital segment of protection against arbitrary government. When, as now, Parliament is ineffective to control the executive, the courts must fill the void. Government in its widest sense is tripartite, not unilateral.